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Austria Sch22	Indonesia ... Rp3100	Portugal Esc120
Bahrain ... Din0.650	Israel NS3.50	S.Arabia Rls7.00
Belgium BFr48	Italy L1700	Singapore ... S$4.10
Canada .... C$1.00	Japan Y600	Spain Pta145
Cyprus .... C£0.90	Jordan Fils.500	Sri Lanka Rup30
Denmark . DKr10.00	Kuwait Fils.500	Sweden SKr9.00
Egypt .... E£2.25	Lebanon .. S£125.00	Switz SFr2.30
Finland Fmk7.00	Lux LFr48	Taiwan .... NT$85
France FFr6.50	Malaysia ... Rin4.25	Thailand Bht50
Germany ... DM2.30	Mexico Pes300	Tunisia Din0.800
Greece Dr120	Morocco Dh6.00	Turkey L600
Hong Kong... HK$12	Neth Fl3.00	UAE Dh6.50
India Rup15	Norway ... Nkr10.00	USA $1.00

INSIDE

MARKETING

Japan goes dry with a new beer

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World News

Crowds greet Slovenian secret trial defendents

Three Slovenian journalists and a soldier were freed pending appeal against sentences of up to four years' imprisonment for leaking military secrets.

They were greeted by about 10,000 supporters as they left the military court in Ljubljana, at the end of a secrets case which has raised sensitive questions about the relationship between the liberal Slovenian leadership and the Yugoslav army.

In a separate development, Serbs in Kosovo said they would march on Belgrade, where the Communist Party Central Committee is due to discuss Serbian control over the province.

Sihanouk to the fore

The Kampuchea peace talks in Indonesia faltered in their third day, over how to stop the Khmer Rouge sweeping back to power in Phnom Penh as Vietnam withdraws its forces. Norodom Sihanouk, taking an increasingly active role in the talks, dropped his demand for an international peace force to underpin a future settlement. Page 3

UN progress on Gulf

UN Secretary-General Javier Perez de Cuellar held two meetings with Iraqi Foreign Minister Tareq Aziz. He said he would raise the question of Western hostages in Lebanon during continuing talks to end the Gulf war. Page 12

France backs Bonn

France backed a West German call to extend the Vienna Conference on Security and Co-operation in Europe. Page 2

Burma head of state

Sein Lwin, elected chairman of Burma's ruling party on Tuesday, also became head of state. Page 3

Soviet hostage talks

Eritrean rebels said Moscow had agreed to direct talks about two Soviet colonels and a lieutenant taken hostage during clashes with Soviet-backed Ethiopian forces in March.

US takes Armenian

Paruyr Ayrikyan, an Armenian nationalist expelled from the Soviet Union for his part in the Nagorno-Karabakh dispute, was granted permission to settle in the US. Page 2

Grosz meets Reagan

Hungarian Prime Minister Karoly Grosz, the first Soviet bloc leader to visit the US for a decade, met President Ronald Reagan. Page 4

Korea talks possible

The South Korean Parliament provisionally accepted a North Korean proposal for parliamentary talks covering the Olympic Games, due to open in Seoul on September 17.

Discord in Vanuatu

Political tensions rose in the Pacific island state of Vanuatu as Prime Minister Walter Lini told President George Sokomanu to keep out of a power struggle in the ruling party.

US covert role

A US Administration official confirmed that President Reagan had authorised covert action against the Government of General Manuel Antonio Noriega in Panama. Page 4

Hayden job offer

Australian Foreign Minister Bill Hayden was offered the job of Governor-General

Business Summary

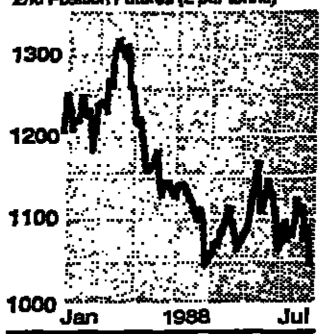
Ford profits at record $1.66bn for quarter

FORD, second biggest US motor manufacturer, reported record second-quarter profits of $1.66bn, up 11 per cent, despite a sharp decline in earnings from the US market. World sales rose 15 per cent to $22.4bn, though in volume terms growth was slower. Page 13

COFFEE prices tumbled in London in spite of the International Coffee Organisation's announcement of the second cut in its world export quota in two weeks. The second position on the London robusta futures exchange fell as low as £1,035 a tonne before closing £37 down at a three month low of £1,046 a tonne. Page 24

Coffee

2nd Position Futures (£ per tonne)



NWA, holding company for Northwest Airlines of the US, blamed higher costs including landing fees and wages for a fall in second quarter net income from $50.6m to $28.3m.

CONTROL DATA, US computer group which last week said it would shut five plants and lay off 2,500 workers for one week, warned that further workforce reductions, plant closures and spending freezes were possible. Page 14

USX, US steel and energy group, lifted second-quarter income 29 per cent as a surge in profits from steelmaking made up for sluggish oil and gas markets. Page 14

HEIDELBERGER Druckmaschinen of West Germany, world's biggest manufacturer of printing presses, is buying Web Press Group of the US for $300m in its first foreign acquisition. Page 13

FRENCH Government named Jean Farge, former minister in the government of Raymond Barre, to head the Commission des Operations de Bourse, the stock market regulatory authority. Page 13

NESTLE, Swiss food group which recently acquired Rowntree of the UK and Buitoni of Italy, expects 1988 net profits to be slightly higher than the SFr1.83bn ($1.18bn) it reported last year. Page 15

IFI, holding company of the Agnelli family, reported a 3.8 per cent increase in profits to L90.8bn ($66.2m) for the year to end March. Page 15

ANGLO-AMERICAN, South Africa's biggest mining group, is set to end its involvement in Australian mining with the sale of Anglo American Pacific to Poseidon, the Adelaide-based resources group. Page 16

HUNGARIAN individuals as well as foreign companies and investors will be allowed to invest on Eastern Europe's only stock exchange when it opens in Budapest next year, the official Hungarian news agency reported. Page 17

SOUTH KOREAN business leaders are intensifying their campaign against government plans for financial liberalisation because they fear a sharp increase in the cost of borrowing will result. Page 17

Thatcher robustly attacks Delors' European vision

By Peter Riddell, Political Editor, in London

MRS MARGARET Thatcher yesterday donned the mantle of the late General Charles de Gaulle to attack the call by Mr Jacques Delors, European Commission President, for a shift of decision-making authority from national governments to the Community and the Strasbourg parliament.

The British Prime Minister used her strongest language yet to criticise the recent comment by Mr Delors that 80 per cent of national decisions by EC members would be taken on a Europe-wide basis within a decade.

She said Mr Delors had been "wrong" and "over the top." She thought his comments "quite absurd" because they frightened people. He had said things to members of the European Parliament "more extreme than he would say to me."

Mrs Thatcher was at her most robust in offering her view of Britain's place in Europe during a 50-minute interview on BBC radio.

The Prime Minister said that with regard to Europe she "was really very much with de Gaulle, that this is a Europe of separate countries working together." She argued that it was not possible to have a United States of Europe because the nations of the EC had different histories and languages.

Her central theme was that Britain was taking a practical view of developments in the Community rather than the "airy fairy" ideas favoured by other countries. She claimed that some advocates of closer integration had not thought through its implications.

Mrs Thatcher argued that

Continued on Page 12

Thatcher: a Europe of separate countries working together

Dollar hit by signs of higher US inflation, slowdown in growth

By Janet Bush in New York and Anthony Harris in Washington.

THE US dollar fell sharply yesterday in the wake of figures suggesting slower US economic growth and higher inflation which were accompanied by central bank intervention aimed at depressing the US currency.

According to preliminary US Commerce Department figures, American gross national product grew at an annual rate of 3.1 per cent in the three months to June. Inflation, as measured by the fixed weight GNP price index, rose to 4.7 per cent from 3.5 per cent in the first three months.

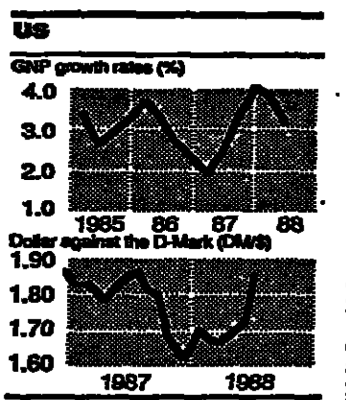
Yesterday's statistics appear to show that growth is slowing slightly and is increasingly driven by the improving trade balance and by sharply rising business investment. They also show a rise in inflation, mainly in consumer non-durables and services.

None the less, Mr Beryl Sprinkel, chief White House economist, said the acceleration in inflation was a passing phenomenon and that US inflation would remain under control.

The growth of business stocks appears to have returned to normal rates. Stockbuilding was unusually high in the previous six months and had aroused some fears of an inventory-led slowdown in the economy.

The preliminary growth estimates are subject to heavy revision and yesterday's announcement also contained a further downward revision in the estimates for the first three months of the year.

US



Growth then was originally put at an annual rate of 2.3 per cent, but was subsequently revised upwards to 3.9 per cent, provoking widespread fears of overheating. The figures have subsequently been revised downwards again in two modest steps, first to 3.6 and now to 3.4 per cent.

The dollar dropped in New York trading to lows of Y131.40 and DM1.8395, some Y2 and nearly 4 pfennigs lower than peaks earlier in the day. By midsession, it had recovered slightly to Y131.65 and DM1.8485.

Securities markets did not react to the GNP figures, which confirm other recent evidence about the economy. US Treasury bonds, which are most sensitive to any evidence of higher inflation and to the dollar, fell only slightly after they were announced. By midsession, bond prices stood as much as ¾ point lower but the Treasury's benchmark long bond issue was quoted only ¼ point lower, yielding 9.20 per cent.

The equity market, which has been oblivious to any news this week, whether economic or corporate, remained stagnant in very low volume. At midsession yesterday, the Dow Jones industrial average was quoted 0.71 point lower at 2,073.25.

The main factor behind the dollar's fall seems to have been a rise in West German interest rates and concerted Bundesbank and Federal Reserve intervention.

Dealers attributed the dollar's fall to the fact that it had been pushed to unjustified peaks before the GNP figures were announced. When the growth figures came in slightly lower than inflated expectations, profit taking set in.

Ralph Atkins writes: The US statistics and co-ordinated intervention by central banks brought sharp losses for the dollar against other major currencies in European trading.

In active trading in London, the dollar ended slightly more than a pfennig lower against the D-Mark compared with the previous close but almost three pfennigs below its day's peak.

There were fears of a rise in the rate of inflation but little speculation about a rise in US interest rates to underpin the currency and contain cost pressures.

UK trade figures, Page 6

Nomura takes stake in Wall St merger specialist

By Stefan Wagstyl in Tokyo

NOMURA Securities, Japan's biggest stockbroker, is paying $100m for a 20 per cent stake in Wasserstein Perella, the Wall Street mergers and acquisitions company establised in February by Mr Joseph Perella and Mr Bruce Wasserstein, two leading US investment bankers.

The venture, announced yesterday, brings together a top Japanese financial concern with 10,000 employees and a six-month-old Wall Street "boutique" with 40 professional staff.

It signals that Japanese financial groups are once again seeking corporate investments abroad after a lull caused by American complaints about the speed of the Japanese expansion into US financial markets.

The two companies are signing an operating agreement under which they will work together on mergers and acquisitions business between Japanese and US and European companies. Nomura's holding will be in the form of new equity, valuing Wasserstein Perella at $500m.

Wasserstein Perella was established when its two eponymous founders quit First Boston, the US investment house where they had been joint heads of mergers and acquisitions, after a boardroom row. They were quickly joined by several senior corporate finance specialists at First Boston.

Mr Yoshihisa Tabuchi, president and chief executive officer of Nomura, said the tie-up would give clients unique benefits in the global mergers and acquisitions market.

Mr Perella, chairman of Wasserstein Perella, said the relationship would give his company's US and European clients unparalleled access to Japanese buyers of their assets.

The first reaction among US investment bankers in Tokyo was to congratulate Mr Perella and his partner on securing a valuation of $500m for their group.

US bankers also suggested that Nomura, the managers of which have a somewhat bureacratic reputation, might run into trouble working with two highly entrepreneurial Americans. One said: "They have got the tiger by the tail. Can they hang on?"

Many Japanese financial companies have had cultural difficulties in managing specialist teams in New York and London. Defections have been common among Western staff unhappy with their Japanese managers.

Nomura rejected suggestions that it was paying too much for Wasserstein Perella. Mr Yochi Fukushima, an executive vice-president of Nomura, said once the group had decided on a tie-up it had to be with a "top tier" company. Wasserstein Perella clearly fell into the top tier.

Last year, First Boston was involved in 315 deals worth $58bn. Since its foundation Wasserstein Perella had advised on transactions worth $19bn.

Patents row leads US into bitter clash with Brazil

By Ivo Dawney in Rio de Janeiro

THE LATEST commercial clash between Brazil and the US looks set to become bitterly contested.

The row, over Brazil's refusal to pay for patents on pharmaceutical formulas and processes, has surfaced rapidly and a genuine sense of righteous indignation suffuses both sides.

It is a worrying sign. Past disputes – most recently a long drawn out struggle over Brazil's protected computer market which has just been raised under the General Agreement on Tariffs and Trade – came with plenty of warning before open hostilities and threats of reprisals emerged.

From the US's viewpoint, the injustice is clear cut and rooted in history. Indeed, it is surprising that it did not come to the surface long ago.

In 1945, Brazil blithely ignored the enormous research and development costs of creating new medicines by abolishing drug patent protection. It compounded the problem in 1969 by ending the liability on its domestic industry to pay for patented pharmaceutical processes.

The US first raised serious objections 1984, returning to the issue in 1986 but only becoming insistent the following year.

In June of last year the powerful US Pharmaceutical Manufacturers' Association filed and won an investigation under Section 301 of the Trade Bill, which ended in last week's decision by President Ronald Reagan to authorise the imposition of punitive tariffs on an unspecified quantity of Brazilian exports.

"We do not want to have to retaliate, but there is a point of principle at stake here," one US official said this week. "What is the point of our industry spending millions in research and development if it can't reap the rewards?"

To the Brazilians, the US action looks like using an atom bomb to crack a peanut. They point out that as much as 85 per cent of the $1.4bn national pharmaceuticals market is supplied by multinationals, 35 per cent of it by US companies.

Only 10 per cent of the nationally-owned sector is producing patented drugs, and Brazilian laboratories in most cases do not have the capacity to replicate the miracles of

Continued on Page 12

Post offices accused of bid to block express mail competition

By Kevin Brown, Transport Correspondent, in London

THE EUROPEAN Commission is investigating allegations made by the express mail industry that eight national post office administrations have combined to eliminate private competition in the growing international bulk mail sector.

The investigation follows a formal complaint to the Commission by the International Express Carriers Conference, the representative body of leading international express mail operators such as DHL, Federal Express and TNT Skypac.

The conference accuses the post offices of a conspiracy to distort competition through an illegal price fixing agreement, in breach of the competition provisions of articles 85 and 86 of the Treaty of Rome.

The complaint relates to private remail operations, under which bulk mail shipments are collected and sorted by private operators before being distributed either directly, or through a third country's post office.

The operations are used principally by commercial organisations making large regular shipments of documents, such as bank statements, prospectuses and corporate reports. The private companies claim their specialised services are quicker and cheaper than the normal post office system.

The biggest European flows of such mail are from the UK through The Netherlands, Belgium, Denmark and Luxembourg. The market is thought to be worth about £50m ($85.5m) a year and growing annually by up to 100 per cent.

The conference claims the post offices of the UK, Belgium, Finland, France, The Netherlands, Sweden and Switzerland have adjusted their price structures for international mail - known as terminal dues - to penalise the private carriers.

It says that some post offices "appear to have been induced to subscribe to an agreement contrary to their own best interests by threats of retaliation."

The conference also claims that the UK and West German post offices have invoked Article 23 of the Universal Postal Union (UPU) convention.

Mr Cedric Briscoe, chairman of the posts commission of the European Conference of Postal and Telecommunications Administrations (CEPT), said the post offices would defend their revised pricing system, which was "not anti-competitive in any way."

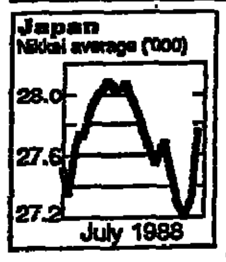
The CEPT has not yet formulated a response to the second part of the complaint.

Networking link, Page 12

MARKETS

Japan

Nikkei average ('000)



INTEREST RATES

US Lunchtime

Federal Funds $7\frac{9}{16}$ ($7\frac{11}{16}$)

3-mth Treasury Bills: yield: 7.20%

Long Bond: $99\frac{1}{8}$ ($99\frac{3}{32}$) yield: 9.20% (9.187)

London

3-month interbank: close $10\frac{3}{4}$

STERLING

New York

$ 1.7260 (1.7090)

London:

$ 1.7260 (1.7135)

DM 3.1925 (3.1875)

FFr 10.7575 (10.7475)

SFr 2.6550 (2.6475)

Y 227.25 (227.00)

DOLLAR

New York

DM 1.8480 (1.85775)

FFr 6.2335 (6.2345)

SFr 1.5375 (1.5470)

Y131.57 (132.45)

London:

DM 1.8490 (1.8605)

FFr 6.2325 (6.2725)

SFr 1.5385 (1.5455)

Y131.65 (132.50)133.15

GOLD

New York: Comex $433

London: $433.0

STOCK INDICES

New York

Dow Jones Ind. Av. 2052.45 (-11.56)

S&P Comp 262.50 (−2.69)

London:

FT-SE 100 1840.8(+3.1,863.3

World: 125.9 (Mon)

Tokyo

Nikkei Ave 27,738.57(+434.81)

Frankfurt

Commerzbank 1478.4 (+8)

OIL

Brent 15-day (Argus) $ $15.50(+10)

West Tex Crude $ $15.975 (-0.30)

CONTENTS

UN debts mount in line with peacekeeping efforts

As the UN's peace mission to Tehran gets under way, Secretary-General Javier Perez de Cuellar is battling to keep it afloat financially. It could be out of busi ness as early as October Page 12

French join Bonn call to extend CSCE

By Judy Dempsey in Vienna

WEST GERMANY'S strident calls for prolongation into next month of the current round of East-West talks in Vienna caused fresh controversy among Nato countries yesterday.

At a meeting of Nato delegations which failed to reach agreement, the French delegation came out strongly on the side of extending the negotiations, arguing that the Conference on Security and Co-operation in Europe (CSCE) should continue right through August without any summer recess. Before Bonn proposed a prolongation, the talks had been expected to go into recess at the end of this week.

French diplomats suggested that unless the CSCE talks, which cover arms, human rights and economic cooperation, reached agreement by October, there would be little hope of a major new round of European disarmament talks starting this year.

France, West Germany and the Soviet Union are all keen for an early start to the proposed Conventional Stability Talks (CST), which would group Nato and the Warsaw Pact. Last week, West German officials were suggesting privately that the CST could begin as early as October.

The arguments voiced by French officials yesterday are reported to have provoked a sharp riposte from the Dutch delegation. Diplomats from the Netherlands repeated the view, which is also strongly held by US and Canada, that the CSCE cannot conclude its work and agree on a document unless there was a "balanced outcome", in other words progress on human rights as well as arms and economic issues.

Agreement on human rights is being held up by Romania's refusal to make any promises in this field, and there is no sign an early solution to that problem.

US diplomats have said they have no instructions from Washington to work beyond this week.

Mr Hans-Dietrich Genscher, the West German foreign minister will meet his Soviet counterpart, Mr Eduard Shevardnadze, in Moscow tomorrow. He has argued that the CSCE should be prolonged at least for the duration of his Soviet trip, so that any agreement in Moscow can be translated into progress at the Vienna talks

Yesterday afternoon, at a long-drawn out meeting of all 35 participants, no decision could reached about whether to prolong the talks. Warsaw Pact diplomats called on the West to make up its mind how long, if at all, the session should be extended.

The 12 neutral and non-aligned countries that take part in the CSCE are expected to put compromise proposals on the duration of the talks early today.

E Europeans resist Moscow urgings on human rights

By Judy Dempsey in Vienna

A SUCCESSFUL outcome to the current East-West talks in Vienna, which is a precondition for fresh negotiations on disarmament in Europe, can only be reached if the two blocs can reach agreement about human rights.

Whether that consensus can be found hinges in turn on a wide open question: can the Soviet Union persuade its allies to accept new undertakings on human rights and humanitarian issues?

At previous East-West conferences, Moscow had little difficulty in influencing its partners, with the exception of Romania. But that appears no longer to be true: in fact, the Vienna review meeting of the Conference on Security and Co-operation in Europe (CSCE) is becoming a testing ground to see how far individual East European countries support Mr Mikhail Gorbachev's policies of glasnost and perestroika.

When the current meeting opened 20 months ago, the Soviet delegation said the Warsaw Pact was prepared to expand on the human rights commitments made in the 1975 Helsinki Final Act, signed by the US, Canada and 33 European states.

But several Warsaw Pact countries have made it known that they object to many of the proposals on human rights set out last May in a draft document drawn up by the 12 neutral and non-aligned (NNA) participants in the CSCE.

The country which most openly rejects the NNA paper is Romania. Its delegation last month made it plain that it would not accept new commitments on human rights. On Monday, in a speech which was a signal both to Moscow and the West of the potential trouble ahead, Mr Dumitru Aninoui, Bucharest's ambassador, said: "It would be an illusion to believe that an early solution could be achieved . . . while ignoring Romanian interests."

His speech suggested that prospects for a final document are not as optimistic as Bonn, which is impatient for a conclusion, would like to believe.

But Romania is not alone in its intransigence. Because it openly rejects new commitments on human rights, it has often become a convenient shield behind which other East European countries can hide.

Bulgaria, for instance, is reluctant to make any undertakings on minority rights: it has been criticised for forcibly assimilating Turkish-speaking Moslems.

Other East European countries are also dragging their feet. The Czechoslovaks show little support for greater religious freedoms and easier travel regulations. The East Germans oppose abolishing the requirement that visitors exchange a minimum amount of hard currency.

At the other extreme, in the vanguard of the "moderate" wing of the Warsaw Pact, are Poland and Hungary. Polish and Hungarian diplomats have no hesitation about saying that they accept the NNA paper as it stands: but their voices are drowned by the apparent rigidity of their colleagues.

Nowhere was this more noticeable than at the recent meeting of Warsaw Pact leaders in Poland. The Poles and Hungarians apparently argued for a more comprehensive communique which would have placed greater emphasis on human rights.

The Warsaw communique did refer to a "balanced outcome", borrowing Western jargon for parallel progress on arms, economic co-operation and human rights. But it fell short of the hopes of Warsaw and Budapest.

"Why is it that we always have to lower our expectations in order to reach a consensus on a much lower level with the allies?" a Hungarian diplomat asked.

Vienna has become the city where Mr Gorbachev confronts his own paradox.

In Warsaw earlier this month, he said there was no one single model towards attaining socialism. The behaviour of certain East European delegations at the Vienna meeting suggests they are taking him literally.

The question is whether Moscow can, or wants to, exercise the necessary influence on its allies to achieve a concluding CSCE document.

The signals are mixed: part of the Soviet delegation is of the old conservative school and will work hard to dilute the NNA paper. Other Soviet diplomats have privately asked Western diplomats to accept Soviet amendments to the NNA paper in order to make it acceptable to the East bloc.

EC aims to switch rural activity away from food output

By David Buchan in Brussels

THE European Commission yesterday unveiled its new policy for Europe's countryside, designed to give the rural population a livelihood less from food producing and more from other activities such as light industry and forestry.

Launching the Commission's discussion paper on the future of rural society, Mr Frans Andriessen, the farm Commissioner, said the overall aim was to use farming "as infrastructure for other economic activities".

The paper responds to the desire of the Commission and many members to undo some of the environmental damage done by the Common Agricultural Policy and provide alternative work for farmers possibly squeezed out of jobs by recent EC reforms. It also reflects the worry of Mr Jacques Delors, the Commission president, about "desertification" of many country areas.

But the Commission's communication to the EC Council of Ministers on what it grandiloquently calls *Le Monde Rural* is notably short on detail. Indeed the only specifics yesterday on Brussels' new approach to agriculture came in a separate communication to the EC council on forestry.

This proposes that EC spending on forestry should be more than doubled to ECU 800m over the next four years, to encourage the planting of more trees and development of the wood products industry. A side-effect, Mr Andriessen said, might be reduced wood product imports from Scandinavia.

If EC governments endorsed the welter of Commission suggestions for environmental, energy-use, industrial relocation, retraining and other rural development policies, the cost of the new *Monde Rural* approach might approach Ecu 500m next year, Mr Andriessen said. This could be paid out of EC regional and agricultural "structural" funds, plus new Community borrowing via the European Investment Bank.

Taken together with current moves to encourage farmers to retire early and plant less, the Commission is moving towards an agricultural policy that begins to separate the level of income support for European farmers from the amount of food they produce.

To the extent they believe these policies will actually work, the EC's negotiating partners in the Gatt trade talks – particularly the US – are likely to welcome the shift.

Total EC structural funds, which would finance a major chunk of any new programme of rural revitalisation, are due to double from Ecu 6.7bn last year to Ecu 13.5bn in 1993.

Mr Grigoris Varfis, the Greek Commissioner, said yesterday the Brussels executive had finally approved criteria for the use of these funds. He promised that payments procedures would be simplified and better adapted to local needs.

The overall level of EC structural economic assistance up to 1992 was decided last February by leaders of the 12 member-states, who also decided to associate the European Parliament with their reforms in an "inter-institutional agreement".

The first result of this agreement showed up this week in an extraordinarily harmonious meeting on the 1989 budget between national budget ministers and a delegation of the Parliament, led by its president, Lord Plumb.

Budget ministers approved a 1989 draft budget of Ecu 46bn, only marginally different from Commission proposals.

It will get a first Parliamentary reading in October, and a final reading in December. With few Council-Parliament differences expected, the Community might this time actually get a budget on time.

W German bank chief opposes rates rise

By Andrew Fisher in Frankfurt

THE HEAD of Commerzbank, Mr Walter Seipp, said yesterday he saw no need for further rises in West German interest rates for the time being.

Speaking the day before the Bundesbank's last council meeting before its month-long summer break, he said there was "no convincing reason" to raise the Lombard rate, now at 4.5 per cent, as speculated in the past few days.

The Bundesbank had been right to raise the rate on securities repurchase deals ("repos") for commercial banks to 4 per cent in the past few weeks. The central bank did this to try to reverse the dollar's rise, limit the growth in money supply and ward off possible future inflation.

Mr Seipp, speaking at a news conference on the bank's half-yearly results, said there were no pressing economic reasons for a continued rise in interest rates either for the rest of this year or in 1989.

The Bundesbank's considerable intervention to try to prevent a further fall in the D-Mark – totalling some $8bn since late May – would lead to a reduction in money supply growth, he said.

So far this year, the M3 aggregate has been growing at around 7.5 per cent instead of the 3-6 per cent target range set by the Bundesbank.

The dollar's fall yesterday after release of the US gross national product figures for the second quarter had probably reduced pressure on the Bundesbank to act at today's meeting, some monetary economists said.

However, they pointed out that money market rates were now at around the same level as the Lombard emergency funding rates. Thus, without a further injection of liquidity into the market, the Lombard rate would need to be increased.

There was, therefore, still a 50-50 chance that the Bundesbank would decide to increase the Lombard rate to 5 per cent at today's meeting, which will be presided over by Mr Helmut Schlesinger, the vice-president.

French poll spending criticised

By Paul Betts in Paris

FRANCE'S constitutional watchdog wants the Government to tighten recent legislation regulating political parties' finances and election campaign spending.

The Constitutional Council is especially critical of the financing rules for presidential election campaigns which, it says, are looser than for legislative ones. In particular, it wants restrictions on foreign campaign contributions, either from foreign countries or individuals, for legislative elections extended to presidential campaigns.

It has not indicated whether any of the nine candidates in the recent presidential election received financial support from abroad, but says that if the rule banning foreign contributions was broken, candidates should face a stiff penalty.

The council is also pressing for tighter accounting controls on campaign spending. It suggests that all candidates should have to open specific bank or postal accounts to cover their campaign financing operations. Such accounts should follow a model set by the council and the accounts should be independently audited.

The former right-wing Government introduced the new campaign financing legislation earlier this year after a wave of politico-business scandals broke during the second half of last year. Many of these involved allegations of channelling of funds to political parties.

However, the legislation, which broke new ground by regulating political party financing for the first time, touched on several factors which have continued to fuel controversy.

Indeed, the publication last week by the official government journal of the campaign costs of each candidate in last spring's presidential election was greeted with considerable scepticism since the figures were provided by the candidates themselves.

These figures showed that President François Mitterrand spent nearly FFr100m (£9.3m), about FFr4m more than Mr Jacques Chirac, his right-wing rival in the second round of the election who was generally thought to have spent much more than the Socialist candidate.

● France's visible trade deficit fell sharply on a seasonally adjusted basis in the first half to FFr9.1bn (£850m) from FFr19.2bn in the same period last year.

The latest figures also showed a reduction in last month's deficit to FFr900m compared with FFr1.4bn the month before and FFr3.9bn in June 1987.

Despite the reduction in the overall deficit, the French authorities continue to be worried by the deficit of industrial goods in the visible trade balance.

Mr Jean-Marie Rausch, the new Foreign Trade Minister, forecast this week an overall trade deficit of FFr25bn-FFr30bn for the whole of this year compared with a deficit of FFr31.4bn last year.

Trial exposes tensions between centres of power in Yugoslavia

By Judy Dempsey

THE EMOTIONAL scenes outside a court-room in Ljubljana yesterday were a vivid illustration of the long-running tensions between liberal, Western-oriented Slovenia and other centres of power in Yugoslavia, including the army.

As sentence was passed on the four Slovene defendants, thousands waved the Slovenian flag and spread out a path of roses. An orchestra played Slovenian songs, and banners proclaiming "We don't accept the sentences" were unfolded.

Whatever interpretation one makes of the sentences – some Yugoslav journalists say that the short sentences indicate a retreat by the army from its original tough position against Slovenia – the widespread opposition to the trial reveals the sharp political differences between Slovenia and the other republics.

Under Mr Milan Kucan, head of the Slovenian Communist Party since 1986, the republic has prospered. He has developed his own variant of Communist ideology, tailored to a Westward-looking populace.

The republic basks in an atmosphere of pluralism. Several radical groups, ranging from Greens and movements for religious freedom to Lilit, a womens' club, and Magnus, a homosexual organisation, are allowed to express their opinions.

The Slovenian Communist party seems unperturbed by such a diversity of views.

Far from reining in the republic's pluralism, which is widely resented by Serbia and Bosnia, the military trial has given Mr Kucan the cue to reopen the question of civilian court system.

Apparently his aim is to institutionalise a set of checks and balances on this politically sensitive area. Last month the Slovenian interior secretary proposed that the current police regulations for investigations and arrests should be thrown open to the public.

Such a proposal would undermine the power of the military courts and of the army. But more importantly, democratic control would be exercised over civil courts.

Greater independence for the Slovenian judiciary would run in the opposite direction to proposals for increased centralisation being voiced elsewhere

Plans are on the table for a strengthening of the power of federal authorities in Belgrade over the whole country, and for boosting the authority of Serbian leaders over two autonomous provinces with Serbia, Kosovo and Vojvodina.

Leaders in those two provinces are resisting suggestions that their autonomy be trimmed. The latest events in Slovenia will place Mr Kucan more firmly than ever in the camp of those who favour continued or even increased decentralisation in Yugoslavia.

Craxi seeks to heal Italy's union rifts

By Alan Friedman in Milan

MR BETTINO CRAXI, the leader of the Italian Socialist Party and former Prime Minister, has begun an unusual round of meetings with the country's three main trade union confederations which, he says, are meant to help achieve unity among the divided labour groups.

The country's largest trade union, the CGIL, has become estranged from the other two groups, the CISL and UIL, over the issue of the latest pay deal for 170,000 engineering workers at Fiat.

Last week it refused to sign a deal with Fiat which would provide a bonus roughly equivalent to a 5 per cent pay rise. In the past few days a national debate has been growing about the extent to which the deal has divided the unions.

Mr Craxi has stressed that he is not acting as a "peacemaker" and that his main purpose is to exchange views on the Socialists' strategy.

The mission seems to be part of his project of seeking to unify the Socialist and Communist parties with the goal of forming a coalition.

Differences inside CGIL over the Fiat deal have tended to run along the lines of these two parties. Thus, Mr Craxi's unusually formal meetings with the labour leaders could steal the clothes of those Communist Party officials who are traditionally associated with unions.

Danish deficit on current account shrinks

By Hilary Barnes in Copenhagen

DENMARK'S FIRST-quarter current account deficit on the balance of payments was the lowest since the third quarter of 1983, according to official figures. The DKr1.7bn (£140m) shortfall compared with a deficit of DKr3.5bn in the first quarter of last year.

There was surplus of DKr5.3bn in visibles and invisibles but this was cancelled out by a DKr7bn deficit arising from interest payments and unilateral transfers abroad.

Merchandise export income increased by 8 per cent to DKr46.3bn, while imports rose by 1 per cent to DKr41.6bn.

The current account deficit in 1987 totalled DKr20.1bn. The Government has forecast a deficit for this year of about DKr16bn.

Armenian rebel to settle in US

Paruyr Ayrikyan, an Armenian nationalist expelled from the Soviet Union, has turned up in Ethiopia and been granted a visa to settle in the US, the US embassy in Addis Ababa said yesterday, Reuter reports.

Mr Ayrikyan has been under guard at a hotel in Addis Ababa, according to Mr Sergei Grigoryants, a family friend and editor of the dissident journal Glasnost. He said the guards were withdrawn after Mr Ayrikyan threatened to go on hunger strike.

Mr Ayrikyan was arrested in March after telling journalists about demonstrations in Armenia for unification with the Nagorno-Karabakh region of Azerbaijan.

Belgian chemical concern warned about dumping

By David Buchan

A BELGIAN chemical company has been given three weeks by the European Commission to stop dumping on the Spanish market or face a possible dumping duty from the Madrid Government.

Legally, dumping cases in intra-Community trade only occur during the transitional periods for new members like Spain and Portugal. The latter will retain certain duties and restrictions on their trade with the other member-states until the end of 1992, and therefore constitute to some extent a separate market from the rest of the EC.

UCB, a large Belgian chemical producer, yesterday acknowledged that it had been selling choline chloride on the Spanish market more cheaply than elsewhere in the Community, but argued that it had to do so to match Spanish prices.

The company indicated that it would heed the warning, noting that its Spanish sales of choline chloride – 1,600 tonnes in 1987 – only constituted 10 per cent of its total sales of this product.

Italian AIDS advertising castigated by Vatican

By Alan Friedman in Milan

A STORM was growing in Rome yesterday over the Italian Government's L20bn (£8.5m) anti-AIDS advertising campaign after a blistering attack by the Vatican.

The Vatican criticism is aimed at commercials appearing on both state and private television networks which point out to Italians that there is no cure for AIDS and it is therefore advisable to use condoms.

L'Osservatore Romano, the newspaper of the Holy See, has reacted to the campaign by repeating the Pope's line that the use of birth control methods such as the condom is "unacceptable". It said the anti-AIDS campaign contained a "perverse logic" of permissiveness by suggesting the use of condoms.

While the Pope's press officers were busy rejecting the anti-AIDS campaign, Mr Carlo Donat-Cattin, the Health Minister, was telling Parliament that the number of AIDS patients in Italy could reach 14,000 by next year, while hospitals were only equipped to handle 6,000.

Recovery seen in Irish investment

By Kieran Cooke in Dublin

INVESTMENT in the Irish economy appears to be picking up, according to the Industrial Development Authority.

Mr Padraic White, the IDA's managing director, said yesterday that Irish companies were being particularly positive about investment possibilities within the country. Lower interest rates, changes in the value of the punt against sterling, falling inflation and lower electricity prices had all helped change the economic climate.

"There was a perception that the real activity lay outside Ireland," he said. "Now we detect that more and more companies are willing to look again."

The IDA annual report, published yesterday, says more than 11,000 jobs were created in 1987, slightly fewer than the previous year. Of these, 3,500 were created by foreign companies.

While the IDA paints a generally rosy picture of the Irish economy, the Irish central bank, in its latest quarterly report, says gross national product is set to grow by only half a per cent this year. This is well below the 2-3 per cent forecast of Mr Charles Haughey, the Prime Minister.

The bank says domestic demand will continue sluggish and there is little sign of a drop in the unemployment rate, at present running at 19 per cent. However, it notes improvements on other fronts: inflation will be about 2 per cent for the year and exports are likely to continue their healthy growth.

Above all government deficits and borrowing are likely to be "considerably lower" this year. The bank says that in the first six months of the year tax revenue grew considerably. "For the full year, tax revenues are expected to exceed the budget target by a substantial margin."

Ozal tries to steal a second march on his rivals

Jim Bodgener reports on a move to change the Turkish constitution and call early local elections

TURKEY'S political parties are jockeying for position again just nine months after elections in November returned Prime Minister Turgut Ozal and his ruling Motherland Party (Anap) to power. This follows the surprise announcement by Mr Ozal that he would seek parliament's approval on August 2 for constitutional changes enabling early local elections in October.

Mr Ozal and his Anap strategists hope once again to steal a march on the opposition, as they did with the surprise calling of the general elections last September. There are several compelling reasons for doing so, not least the electoral support building for the main opposition Social Democratic Populist Party (SHP), and the emerging partnership of its chairman, Professor Erdal Inonu, and Mr Deniz Baykal, its new Secretary-General.

With the economy burdened by inflation of 70-75 per cent, Mr Ozal has seen Anap's rating fall steadily in the opinion polls this year. The SHP now has a marginal lead over Anap and the True Path Party (TPP) of Mr Suleyman Demirel, prime minister before the 1980 coup, is fast making up ground.

Economists predict the next two years will be difficult. Mr Ozal needs to hold early local elections before Anap's support wanes further; then he can introduce tighter austerity measures and ride out parliamentary criticism with Anap's strong majority.

Anap remains very much a party reconstructed from the rubble of several pre-1980 parties, cemented largely by Mr Ozal's leadership and an emphasis on economic development which so far has bridged the rift between its Islamic and liberal wings.

Mr Ozal has managed to buy off the Islamic wing with the possibility of a ministerial post for its leader, Mr Mehment Kececiler. The challenge of local elections will transcend internal party divisions temporarily.

Mr Ozal also has his eyes on the presidency (President Kenan Evren steps down next year) and would rather not be saddled with the possibility of a negative March poll.

Parliamentary sanction became necessary after a recent decision against the Government by the Constitutional Court, which ruled that under the constitution local elections should be held next March, five years after the previous ones. A majority of 300 is needed in the Turkish parliament to amend the constitution and Anap has only 290 seats.

Ozal (left): losing ground to Demirel

However, an accommodation has been reached with the TPP, although Mr Ozal's surprise announcement on July 17 nettled Mr Demirel and scuppered a planned meeting between the two. The TPP's policy since the general elections has been to capitalise on Anap's growing unpopularity and whittle away its electoral support – so if Anap receives a drubbing in October, the TPP at least can play broker, say analysts.

The SHP condemned the October election proposal on the grounds that it is another attempt by Mr Ozal to move the electoral goal-posts. Mr Baykal said Mr Ozal was also trying to capitalise on public sympathy after his narrow escape from an assassination attempt in early June, and on his pilgrimage to Mecca.

The partnership between Professor Inonu, the academic moralist and ideologist, and the pragmatic, opportunistic Mr Baykal, may yet generate the kind of leadership charisma necessary in Turkish politics, but hitherto lacking in the SHP. But it is still tinged with mutual distrust – Mr Baykal seems to be biding his time for a tilt at the chairmanship, while under his amiable exterior Mr Inonu hides an obstinate and tenacious nature.

As yet, Mr Baykal's rump within the SHP of old members from the Republic People's Party (RPP) – proscribed after the 1980 military coup – has a strong following but not a majority within the SHP, and other factions could easily unite against it if stirred up by an open bid for the leadership.

Mr Baykal still bears the mark, to some extent, of his leading role in RPP governments during the descent in the late 1970s into social anarchy and economic disfunction. Many of the younger social democracts also mistrust his opportunism.

Yet for Mr Baykal, the most difficult problem may be how to satisfy support for the SHP aroused by free market Anap policies since Mr Ozal assumed the premiership in 1983. The SHP's membership is made up of professionals, industrial workers and rural labourers, all of whom have been the worst losers since 1980, in terms of their rights and privileges and living conditions, with an estimated 50 per cent fall in real earnings over the period.

Mr Baykal faces a plethora of demands from trade unions for wage increases, liberty to strike and collective bargaining rights, from bureaucrats for higher salaries and the right to unionise, and from the peasantry for increased monopoly price subsidies.

He argues for control of inflation by classic methods, reducing the imbalance between public debt and spending through cuts in the rate of borrowing and the level of development spending. Increased taxation might compensate for the borrowing reduction, he believes.

On denationalisation, he says Mr Ozal's Government is selling off the best performers in the state sector rather than putting the most inefficient into private sector hands for rehabilitation. All of this could be a far cry from SHP voters' aspirations.

An article on the Turkish economy was printed on this page yesterday

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OVERSEAS NEWS

West Bank business battles for customers

Andrew Whitley in Jerusalem tells of mixed fortunes amid strife in occupied territory

THE PROMINENT advertisement which appeared one day last month in all West Bank newspapers was a poignant sign of the times.

Circulating in the local market, it warned the public, were products which masqueraded under Arabic names but were not locally made. As a result, the Tako tissue paper factory of Ramallah – whose lineage, the advertisement pointed out, went back 52 years – had regretfully put many of its workers on an unpaid vacation of unlimited duration.

"The only way to continue is through popular protection, and that's why Tako is calling on the public to look into this case," said the advertisement: an unusual pitch to Palestinian customers to differentiate between its disposable nappies and those infidel counterfeits made in Israel.

The *intifada* (uprising) has generated many brave statements by Palestinians of their willingness and ability to return to the simple way of life most knew before 1967. But, judging by the experience of Tako – one of the biggest industrial enterprises in the occupied territories – returning to washing soiled nappies by hand is not among the sacrifices contemplated. Israeli nappies continue to make inroads, helped in part by the manufacturers' ability to offer generous credit which West Bank industry cannot match.

A few days after the advertisement appeared, the underground leadership of the uprising came up with an endorsement of the factory's appeal. A big local employer was in trouble and needed political support.

Shunned over the years by those Palestinians who had spare capital to invest, and discriminated against by both Israel and Jordan, industry has never represented a significant share of the occupied territories' output.

According to the West Bank Data Base Project, a reliable chronicler of the region's travails, its share of local gross national product actually declined between 1967 and 1984: from 9 to 6.7 per cent. Barely a dozen factories employ more than 200 people, or have an annual turnover approaching $10m.

Onto these frail shoulders has fallen a Mahatma Gandhi-style call on Palestinians to boycott goods made across the pre-1967 "Green Line" and substitute them with local products wherever possible.

The call has so far been only a partial success. But for many West Bank manufacturers it has helped compensate for all the other daily problems they face as a result of the eight-month unrest.

These range from frequent strikes and severe distribution problems to a veritable snowstorm of new paperwork. "This is the year of permits," complained one businessman, exhibiting the sheaf of forms he had to fill in and stamps he had to obtain from the military authorities for the simplest of tasks, such as sending a truck-load of goods across Israel to Gaza. Above all, there is an acute shortage of cash among consumers for anything other than essentials.

> Palestinian-owned companies who sub-contract for Israeli industries have been badly affected. "We'll try to live with the intifada, rather than get rid of it. Our future is at stake."

Companies such as Sylvana, a confectionery and biscuit-maker, report that the bottom may have fallen out of their previously flourishing luxury chocolates business. But wafer biscuits are still doing well, helping the management to avoid laying off any of its 250 employees.

"We have to go to the bank every day with kilos of coins," said Mr Gari Mardirossian of Sylvana, describing how his customers raid their children's piggy-banks to afford these simple treats. On the other hand, Israeli-made wafers are nowhere to be seen in the West Bank these days.

A recent gathering of Palestinian businessmen at the Arab Thought Forum, an East Jerusalem research centre, came to the surprising conclusion that, on balance, local industry was doing better than expected out of the *intifada*.

Some, such as the RC Cola bottling plant in Ramallah, a well-established soft drinks producer, and an East Jerusalem cigarette factory, have put on an extra shift to keep up with demand. Dairy producers in Jericho and Jenin are working flat out in response to a switch away from the Israeli long-life milk, yoghurts and cheeses everyone in the West Bank used to buy.

In Nablus, Mr Mehdi Masri, director of a large vegetable oil business, said 80 per cent of the family-owned company's products are still being exported across the Allenby Bridge to Jordan. Most shipments had been able to get through.

The most troublesome problem for the Masris, in common with other exporters, lay in securing permission from the Israeli authorities to obtain the remittances they were owed from their exports. Without special permission, bank transfers from abroad to residents of the occupied territories have had to be less than the equivalent of $1,200 for the past four months.

Most of those Palestinian companies in trouble, such as Tako, or the Jordan Plastics Company of Beit Sahour, are either dependent on imported raw materials or else produce non-essential items whose purchase can be deferred. For the first time in 30 years, the four plastics factories in Beit Sahour – a frequent hot-spot – are silent.

Also badly affected have been sub-contractors for Israeli companies, particularly in textiles and clothing. Those set up relatively recently along the Green Line, in towns such as Tulkarem and Khalkhilya, to finish Israeli goods, may have been dealt a death blow.

"I won't close down," insisted Mr Issa Abu Aita, the managing director and co-owner of Jordan Plastics, troubled more than most by labour disruption and daily clashes with the army near his premises. "We'll try to live with the *intifada*, rather than get rid of it. Our future is at stake."

The company has a similar factory across the Jordan River in Amman. Mr Abu Aita argues with conviction that he could have made much more money by closing down in the West Bank and moving his entire business to the Arab world.

Hayden offered post of Governor General

By Robin Pauley, Asia Editor

MR Bill Hayden, Australia's Foreign Minister, has been offered the post of Governor-General of his country in a controversial move heightened by the fact that Australia is currently celebrating its bicentenary.

Mr Hayden's name has been repeatedly floated as the likely next representative of the Queen in spite of the fact that he once public espoused republican views and suggested that Australia should sever all links with Britain.

One theory, repeated as often as it is dismissed, has been that appointing a non-establishment republican-minded figure such as Mr Hayden would be the logical first step towards the ultimate declaration of a republic.

The timing of the announcement of the offer, which is made by the Queen in consultation with the Australian government, is also significant, coming just one week before Mrs Margaret Thatcher, the British Prime Minister, arrives in Australia for an official visit.

Mr Hayden is 55 and has been Foreign Minister in the Labour government since 1983. He is a former policeman, a self-made and largely self-educated career politician who has overcome his sour relations with Mr Bob Hawke, the Australian Prime Minister, dating from their tussle over the leadership of the party.

He has recently modified his view of the ceremonial role of Governor-General in Australia and no longer publicly advocates breaking with Britain. "The more I look at it the more I find it a very interesting role," he said this week. He said he had not yet decided to accept the post, which falls vacant next February when Sir Ninian Stephen retires.

Mr Hayden's public outburst of republicanism occurred in 1975 when he was a member of Mr Gough Whitlam's Labour government which was dismissed by the then Governor-General, Sir John Kerr, after the opposition used its upper house majority to block government spending.

Kampuchean groups divided over role of government

By John Murray Brown in Jakarta

KAMPUCHEAN factions appeared divided yesterday over the role of a provisional government to take the country through to general elections following any settlement of the nine-year-old conflict.

Speaking to all four factions at the start of the third day of the Jakarta peace talks, Prince Norodom Sihanouk, former leader of the three-party resistance coalition, appeared to drop his original demand that the PRK, the Vietnamese-backed government in Phnom Penh, be dissolved as part of a settlement.

He also said he would not propose an international peace-keeping force as this was "strongly opposed" by Phnom Penh and the Khmer Rouge, the strongest resistance force fighting Vietnam's invasion of Kampuchea from bases in Thailand.

However, the prince called for a quadripartite government which would leave the armed forces of all four factions including the Khmer Rouge intact. He further rejected, albeit politely, the seven-point peace plan presented earlier this week by the "charming Mr Hun Sen", the PRK Prime Minister.

The main demand of both Mr Hun Sen and the Vietnamese has been the disarming of the 40,000-strong Khmer Rouge armed forces. It was the Khmer Rouge government of Mr Pol Pot which devastated the country between 1975 and 1979, killing hundreds of thousands of Kampucheans and prompting Vietnam's original invasion.

Mr Nguyen Co Thach, Vietnam's Foreign Minister, yesterday declined to comment on the prince's porposals. Mr Thach, however, said the peace talks had agreed general principles but failed to find common ground on "concrete issues".

The Jakarta talks are expected to wind up today with a commitment by all four Kampuchean factions, together with Vietnam, Laos and the six members of the Association of South East Asian Nations, to form "working committees" to continue the peace process.

Moscow, due to meet Chinese officials in Peking next month, would like to improve relations with China and is thought to be putting pressure on its client state in Vietnam. Vietnam's troop withdrawal from Kampuchea, which Mr Thach yesterday insisted was unconditional, would open the way for Western aid to Hanoi.

Indian opposition in fresh attack on Gandhi

By K K Sharma in New Delhi

MR Rajiv Gandhi, India's Prime Minister, yesterday came under fresh attack over the controversial $1.4bn howitzer deal with Bofors of Sweden at a time when the country's splintered opposition is making some headway in attempting to form a united front to fight the next election.

Yesterday opposition members of both houses walked out angrily after their attempt to censure the government over the Bofors scandal was blocked by the speaker.The controversy has embarassed Mr Gandhi for nearly two years since allegations were made that payoffs had been made by Bofors to Indians close to the Prime Minister.

Yesterday's disturbances come at a time when Mr Gandhi finds himself in fresh trouble because of moves by opposition parties to unite and signs of dissatisfaction within his own ruling Congress (I) party.

Four opposition groups – the Jana Morcha led by Mr V P Singh, who has emerged as Mr Gandhi's main rival, the Congress-S, the Lok Dal and the Janata party – have announced they will merge by August 15 to form a single new party to be called the Samajwadi Janata Dal (Socialist People's Party).

The aim is to present a united front against Mr Gandhi's Congress (I) party in general elections due to be held at the end of next year.

Burma leader named president

BURMA'S new leader, U Sein Lwin, yesterday appointed himself President and completed the distribution of senior posts, demonstrating clearly that the resignation of U Ne Win has made little difference to the effective control of power in the country, write Chit Tun in Rangoon and Robin Pauley in London

The country's three most senior men after Mr Ne Win's decision to step down after 26 years of autocratic and economically disastrous rule are retired senior military officers.

The new joint secretary of the party and secretary of the council of state is Thura U Kyaw Htin. Thura is a military decoration awarded for outstanding gallantry. The Prime Minister is Thura U Tun Tin.

S African surplus falls

By Jim Jones in Johannesburg

SOUTH AFRICA'S trade surplus fell by half during the first six months of this year, heightening fears for the economy and the country's ability to make scheduled foreign debt repayments.

The first half's trade surplus dropped to R3.4 bn(£858m) from R7bn in the first half of 1987 as consumer-led economic growth boosted imports, and exports of primary goods stagnated.

Figures for the first half's current account of the balance of payments have still to be published. However, the first quarter resulted in a R410m seasonally-adjusted deficit on an annual basis against a comparable surplus of R6.5bn in the fourth quarter of 1987.

The deficit is believed to have widened in the second quarter.

This year South Africa is scheduled to repay between $1bn and $1.5bn of foreign debt, all of which has to be funded from the current account and reserves while the country remains excluded from foreign capital markets.

Although the country is a member of the World Bank and the IMF, neither organisation will provide loans to tide South Africa over its present liquidity problems. Economists believe the authorities' only feasible option is to put the brakes firmly on the economy, to curb credit demand and, thus, imports.

This, in turn, raises questions about the economy's ability to create jobs. This week two large insurance companies estimated real economic growth would be no more than 2.5 per cent in 1988, against 3 per cent targetted by Mr Barend du Plessis, the Finance Minister, in his March budget.

A growth rate of over 4 per cent is estimated as necessary to prevent a further rise in unemployment.

In a recent economic report, Trust Bank, the country's fifth largest bank, equated the first half of 1988 with that of 1984, when sharply rising imports led to a significant loss of foreign reserves.

In June this year, gold and foreign reserves fell by R540m to R5.65bn

Castro pledges commitment to pull out troops

PRESIDENT Fidel Castro pledged Cuba's commitment to withdraw its troops from Angola when a peace agreement for the south-western region of Africa is signed, Reuter reports from Cuba.

"We are near a political solution," he said on Tuesday, referring to a US-mediated agreement between Angola, Cuba and South Africa.

"What we want is a global, just and honourable solution that would guarantee the security of Angola and independence for Namibia," he told a 2,000-strong crowd on Cuba's National Day.

Cuba would gradually withdraw its troops from Angola.

AMERICAN NEWS

Congress unimpressed by Sarney warning

By Ivo Dawnay in Rio de Janeiro

A devastating critique of Brazil's draft constitution, launched by President Jose Sarney in a nationwide broadcast late on Monday, appeared yesterday to have made little impact on congressmen.

Mr Ulysses Guimaraes, president of the Constitutional Assembly, who had begged Mr Sarney not to speak, refused to comment on the address while preferring to push ahead with the final round of voting on the draft.

Left-wing parties dismissed the President's warnings as exaggerated, while some politicians on the right, though broadly endorsing his views, added that the attack might have come too late.

Only the business community appeared ready to give solid backing to the President's analysis. "The statement adds to the efforts that society, and especially businessmen, have made to change the text," said Mr Roberto della Manna, a director of the Industrial Federation of Sao Paulo (Fiesp).

Mr Sarney gave a conciliatory assurance that he continued to support the new constitution and Congress's work in drafting it. But he warned that, without profound changes, it would bring "a brutal explosion in spending" that would leave Brazil "ungovernable".

Identifying specifically new social welfare provisions, changes in tax laws, the cancellation of previous decree law legislation and articles on the treatment of military and civil federal employees, the President calculated that the draft envisaged some $12.6bn in additional costs each year.

This alone represented double the revenue from federal retail and income taxes, he claimed.

Leaders of the largest political parties were yesterday attempting to hammer out compromise formulas on the most controversial elements.

But the widely-held view is that no substantive changes will emerge before the final votes are completed. The last opportunity for compromises will come only after the document is promulgated when enabling legislation to enforce it comes up for voting.

Carlucci hints on Soviet participation in Gulf

THE US MIGHT accept Soviet participation in a Gulf peacekeeping force despite its opposition to Soviet influence in the region, Mr Frank Carlucci, US Defence Secretary said, Reuter reports from Washington.

Mr Carlucci also said US allies in the Gulf supported Washington's view that Western navies should keep protecting shipping in the strategic oil lanes until Iran and Iraq agreed a ceasefire in their eight-year-old war.

In an interview, Mr Carlucci was asked what the US position would be if the Soviet Union offered to take part in a peacekeeping force to be formed by Mr Javier Perez de Cuellar, UN Secretary-General, who is trying to arrange a ceasefire in the Gulf war.

"While the conflict was going on, we saw no need to bring the Soviet Union into the Gulf," he said.

"We didn't think that their attitude had been particularly helpful. What kind of role they might be prepared to play in peacekeeping is something that would have to be developed by the UN Secretary-General."

He added: "We continue to be opposed to Soviet influence – but at the same time we want to be as supportive as possible of the Secretary-General."

The US would be willing to join a multinational peacekeeping force but this could pose problems, given the tense state of Iranian-American relations.

He said the 27-ship US Navy task force in the Gulf and northern Arabian sea, which has been escorting Kuwaiti tankers flying the US flag for the past year, would only be reduced once the threat to shipping had been removed.

"If there is no tangible threat to American-flagged shipping, or innocent shipping, then we would certainly cut down on our patrols and cut down on the size of our presence," he said.

Other countries, including France and the UK, have about 41 ships protecting shipping in the Gulf.

The Iraqis were sending "ambiguous signals" on whether they were withdrawing from all Iranian territory as they had promised. The Iraqis crossed into Iran in the central and southern fronts last weekend but promised to quickly pull back.

"We have some indications that the Iraqis are withdrawing on the central front," he said. "The same does not seem to apply to southern areas. I assume their goal is to maximize their negotiating leverage."

Mr Carlucci appeared to rule out improving relations between the US and Iran until American hostages held by pro-Iranian factions in Lebanon were released.

"The keeping of hostages is disgraceful, shameful and a cowardly act, and Iran in the name of human decency ought to use all its influence to get these hostages released," Mr Carlucci said.

Western military strength and resolve, not Soviet reform, prompted recent moves to end conflicts in Afghanistan, Angola and Kampuchea, Mr Frank Carlucci (right) said yesterday, Reuter reports.

Mr Carlucci, who visits the Soviet Union next week, also said Washington would continue to question Moscow's claims that it was moving to a more defensive arms posture.

Far more significant than glasnost had been the consistency of western policy, US strength and assertiveness and a willingness to support those fighting for freedom in their own countries.

US plays down Iran statements

THE WHITE House yesterday played down the significance of Iranian statements suggesting US hostages in Lebanon might be freed soon and repeated it would not deal for their release.

"The truth is, there's nothing going on," Mr Marlin Fitzwater, Whitehouse spokesman, said when asked about a flurry of public statements on the hostage issue by Iranian officials in recent days.

"We have not had discussions or overtures with Iran," he said. "There've been these two speeches. The media has built this up into some great new initiative. We have no information that that's the case."

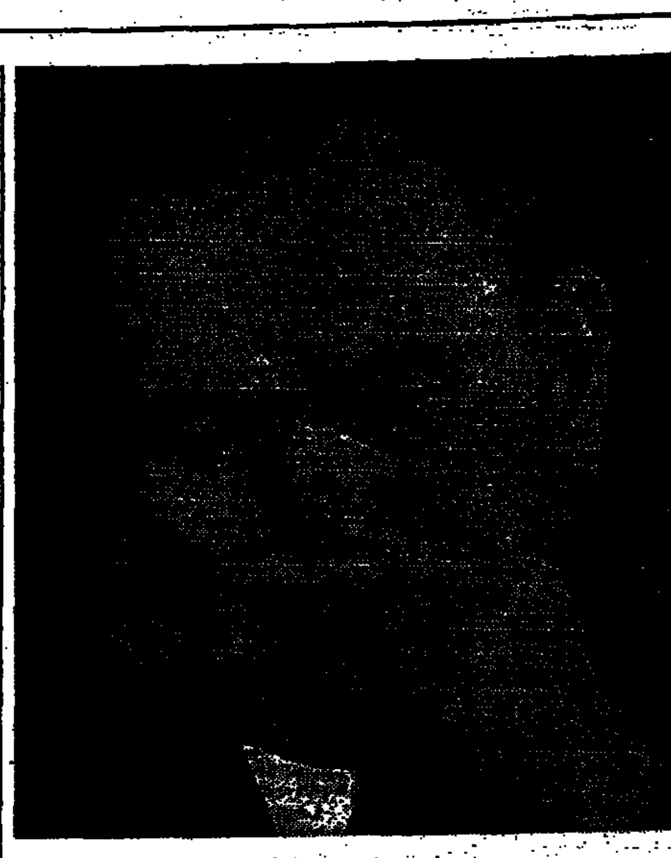
Iranian military chief Ali Akbar Hashemi Rafsanjani said in a televised speech on Tuesday that Tehran might consider helping to free nine Americans held by pro-Iranian groups in Lebanon if the US agreed to release frozen Iranian assets.

Mr Fitzwater said the US had made a number of overtures to Iran to open a dialogue but had not yet had a response.

He also restated the US policy of refusing to negotiate for the release of the hostages.

"We go anywhere, anytime, anyplace to talk about them. But we won't make deals.

"There've been these comments ... in the last few days. However, I would point out that they've made these kinds of comments before."



Grosz' Hungary reform message

By Nancy Dunne in Washington

MR Karoly Grosz, the Hungarian Prime Minister, took a message of economic reform into meetings with American business and political leaders during a 10-day visit to US which is due to end today.

Mr Grosz, the first Hungarian leader to visit the US for more than 40 years, was scheduled for meetings yesterday with President Reagan, Vice-President George Bush, Mr James Baker, the Treasury Secretary, and members of Congress.

On a journey which began last week in Chicago, Mr Grosz saw Governor Michael Dukakis, the Democratic presidential candidate; Mr Alan Greenspan, chairman of the Federal Reserve Board; World Bank and International Monetary Fund officials and Mr George Shultz, the Secretary of State.

In a speech on Tuesday, bound to please the Reagan Administration, he described his vision of a liberalising Hungarian economy and political system.

This "would allow greater company and local initiatives", freeing "enormous intellectual and spiritual reserves, as well as economic reserves to operate".

Bush starts search for ticket partner

VICE-PRESIDENT George Bush, who will be nominated next month as the Republican Party's candidate for President, has formally started his search for a running-mate, writes Stewart Fleming in Washington.

His campaign staff say the search will be led by Mr Robert Kimmit, a former General Counsel at the Treasury Department. Mr Bush is expected to announce his choice at the Republican national convention next month.

It was also disclosed that with Mr Bush trailing his rival, Governor Michael Dukakis of Massachusetts, in public opinion polls, his campaign has launched a $4m advertising campaign attacking the Democrats and stressing the economic successes of the Reagan Administration.

Air safety warning

Unless immediate steps are taken to modernise the US air traffic system and improve management of air traffic flow and demand, the US will be unable to maintain its current air safety levels, according to a report released yesterday by the Congressional Office of Technology Assessment, writes Nancy Dunne in Washington.

The report, Safe Skies for Tomorrow, said that in order to improve air safety, the organisation of the Federal Aviation Administration must be improved. The number of FAA inspectors should be increased and the capacity of the air traffic control system enhanced.

Investment 'blocked'

THE US is the most open market in the world to foreign investment, but other countries place significant obstacles or controls on investment in their economies, according to a Congressional study, Our Washington staff report.

The report, by the Congressional Economic Leadership Institute, a bipartisan forum where members of Congress can exchange views with business and academic leaders on America's role in the global economy, underscores the growing interest in the foreign investment issue on Capitol Hill.

White House 'authorises anti-Noriega activity'

THE Reagan Administration has informed Gen Manuel Noriega, the Panamanian strongman, and the US public that it is prepared to undertake "covert" actions as part of its campaign to oust him, writes Stewart Fleming in Washington.

This came to light yesterday in the form of an extraordinary front-page article in the Washington Post which said President Reagan had signed a finding authorising new covert activity.

It quoted "a well-placed source" as saying no military action was imminent and that the authorisation involved activities short of a para-military operation to oust Gen Noriega.

The disclosure is rich with irony.

The Administration's failure in early 1986 to inform Congressional leaders about an intelligence finding authorising arms sales to Iran is widely regarded as a blunder which led to the Iran/Contra scandal.

If they had been told, they would almost certainly have objected strenuously.

Racketeering charges made in insider trading case

FEDERAL prosecutors have brought racketeering charges against a lawyer accused of insider trading, AP reports from Chicago.

Mr Alfred Elliott, 44, was indicted yesterday for allegedly making $680,000 in illegal profits using information he obtained while a partner of the law firm Schiff, Hardin and Waite in Chicago.

This is the first time the racketeering statute has been used in an insider trading case. It provides greater penalties and gives the Government more power to seize illicit gains than other laws prohibiting insider trading, the prosecutor said. "In the future, we expect to use the racketeering laws as a powerful weapon in these cases," Mr Anton Valukas, a US attorney, stated.

Mr Elliott is charged with wire fraud, securities fraud, racketeering and filing a false income tax return. If convicted on all counts, he could receive up to 363 years in prison and $13.5m in fines and be forced to make restitution.

Nine times between 1984 and 1986, Mr Elliott learned of large pending stock acquisitions by clients, then invested heavily in the company whose stock was being bought, the Government said.

North may avoid charges

THE JUDGE in the Iran-Contra case said yesterday that he might dismiss key conspiracy charges against fired White House aide Col Oliver North because the Government refuses to release secret documents to Col North, Reuter reports from Washington.

"It is now apparent that the Government will not make available the documents I have ordered to be turned over to North for his defence," US District Judge Gerhard Gesell said at a pre-trial hearing.

"Unless the issue is resolved .... it is clear to me that the conspiracy counts will have to be dismissed," he said.

Col North has been charged with engaging in a broad criminal conspiracy to defraud the US Government by diverting profits from secret arms sales to Iran to provide prohibited military aid to the Nicaraguan Contra rebels in 1985-86.

While three counts relate to the conspiracy, Col North also is charged in 13 other counts that include obstruction of justice by covering up his activities, destruction of documents, making false statements and violating tax laws.

WORLD TRADE NEWS

Europe's chance in services market

By William Dullforce in Geneva

EUROPEAN companies will be able to dominate the world market in several kinds of services, if the Community's single market succeeds and a reasonable agreement liberalising trade in services emerges from Gatt's Uruguay Round.

This claim is made in a report to the EC Commission by the European Services Industry Forum (ESIF).

The services concerned are not the traditional ones, such as banking, insurance and transport, where leadership is passing to the Japanese, but services such as security, quality control, courier services and the media, where startling improvements in productivity are being made.

In recent years European companies have outpaced their US counterparts in markets which had for years been considered North American specialities. Examples are advertising and communications, temporary labour services, electronic financial information and training.

ESIF, which groups 28 European service companies, aims at supplying policymakers with information on service industries.

Its report, based on information from market leaders in each sector, tries to predict which services Europe can expect to sell well worldwide. It includes estimates of world turnover in 25 sectors.

Training and education could secure sales of Ecu150bn ($171bn) worldwide while advertising and communications and security services could generate Ecu100bn sales. Design would account for an estimated Ecu80bn in worldwide turnover and temporary labour services Ecu60bn. In the Ecu40bn market for custom-designed software US companies are already ceding market share to the Europeans, ESIF claims.

All 25 sectors offer double-digit growth, according to ESIF. Mr Gunter Pauli, its chief executive, cites "orders of magnitude" on the European market of 80 per cent a year in telemarketing, 60 per cent in small package courier services and 50 per cent in electronic financial information.

Growth in value added networks, such as Swift, the bank clearing system, is put at 40 per cent a year.

Assessing the overall opportunities for European companies, ESIF argues that international services markets are in flux with relatively low barriers of entry and a need for only limited start-up capital.

Japan offers the toughest competition and is becoming the undisputed number one in traditional services which include banking, insurance, tourism, transport and distribution. The development of these services in Europe and the US has been blocked by outdated legislation, ESIF says.

The relative market position of US companies is seen as declining, although they continue to dominate in financial services, the media, auditing, catering and databanks.

If the Uruguay Round fails to agree on services by 1992, the Commission should prepare an immediate bilateral agreement on services with the US.

ECGD to back $125m loans for Angolan oilfield

By Peter Montagnon, World Trade Editor

BRITAIN'S Export Credits Guarantee Department has lent its support for a rare package of loans totalling $125m (£73.5m) to Angola to help finance development of its Greater Takula offshore oilfield.

It is to guarantee the package assembled by Lloyds Bank despite the fact that Angola, which recently undertook a Paris Club rescheduling of its official debts, is not normally eligible for medium-term ECGD cover.

The package comprises loans of $63.75m and $61.25m respectively to Sonangol, Angola's state oil company, and Cabgoc, a subsidiary of Chevron.

The latter loan will be classified by ECGD as Bermudan risk as Chevron's headquarters are in the island's capital of Hamilton.

Italians win L240bn China power order

A CONSORTIUM of Italian companies has won a L240bn ($177m) contract to build a power station in China, Alan Friedman reports from Milan.

The consortium, led by the Genoa-based Gruppo Industriale Elettromeccaniche (GIE), is to construct a 700MW plant at Lingang, in Jangsu Province to be completed by the first half of 1991.

US may try to cool Airbus row

By Peter Montagnon in London and William Dullforce in Geneva

A TOP-level US cabinet committee is to meet in the next few days to determine Washington's next step in its row with Europe over Airbus subsidies.

The meeting of the Economic Policy Council follows the failure of bilateral discussions. Industry executives believe it could result in the declaration by the US of a form of hostile truce.

This means the US would ask Brussels to come up with fresh proposals for defusing the problem and would threaten to impose trade sanctions if it failed to do so.

This would defer the need for immediate action without the US losing face as it initiated the dispute with its complaint that Airbus was being unfairly subsidised. Europe has countered that US airframe companies receive billions of dollars in subsidies through government defence contracts.

Such an outcome has been awaited for several weeks in Europe where officials regard it as a move by the US towards disengagement of hostilities. But decisions by the EPC are hard to predict because it includes Cabinet-level officials from a range of departments.

The attraction of this approach to the US is that it leaves open the possibility of reopening of the dispute in the future while removing the risk of it escalating through the immediate imposition of sanctions.

Trade diplomats have warned that the Airbus dispute could become serious enough to disrupt the Uruguay Round of multilateral trade liberalisation talks if it led to sanctions and counter-sanctions being imposed.

However, a US policy of hostile truce could become difficult to operate if European governments give in to pressure from Airbus partner companies for fresh injections of cash to counter the loss of competitiveness caused by the decline of the dollar and consequent strengthening of European currencies.

Also, collaboration talks between Airbus and McDonnell- Douglas, which have been a restraining factor in the dispute, are understood to have progressed more slowly than at first hoped.

Osram shines a path to Japan market

By Andrew Fisher in Munich

OSRAM, the West German lighting company which is the third largest in the world, is teaming up with Mitsubishi Electric to break into the highly-controlled Japanese lamp market.

Osram said the deal was unique in the electrical industry in giving a German company a majority share in a joint production venture in Japan. Osram is strong in advanced halogen and other long-lasting, low energy, high performance bulbs.

Osram, owned by Siemens and based in Munich, will have 51 per cent of the joint production venture with Mitsubishi. A new plant costing more than DM160m will be built south of Tokyo.

In the first full year of production the two companies hope to achieve a turnover of DM160m in Japan, the second largest lighting market in the world after the US. Mr Helmut Plettner, the chairman of Osram, said the aim was to reach sales of DM300m a year in three years.

Entry to the Japanese market was difficult because the big domestic producers all had tied retail outlets, he said. Mitsubishi itself, with nearly 10 per cent of the market, has links with about 5,000 Japanese lighting dealers.

Japanese and Lucas in UK venture

By Ian Rodger in Tokyo

YUASA, the leading Japanese battery maker, has set up a joint venture with Lucas, the UK engineering group, to make car batteries.

The 50/50 venture, called Lucas Yuasa, has been capitalised at £4m ($6.8m). It will take over the British company's 90-year-old battery plant in Birmingham where 550 people are employed.

Yuasa said production would be aimed at the European market of 50m batteries a year. In the UK market 6m batteries are sold each year. The new venture would produce about 2m batteries a year at first, worth about £28m.

Yuasa, which has 17 factories in 15 countries, said the European market was looking increasingly attractive. It had begun negotiations on supplying batteries to the Japanese car makers, Nissan and Honda, in the UK. The company already has a factory in Ebbw Vale, Wales, set up four years ago. For Lucas, the joint venture is part of a strategy to move out of the manufacture of relatively low value motor components.

● Yuasa, with its Indonesian partner, Wanandy, has bought Repco Century South Queensland, a car battery maker in Australia.

Rolls Royce and GPA in joint project

ROLLS ROYCE and the GPA group, aircraft leasing operators based at Shannon in the Irish Republic, have announced a joint venture to buy the new Boeing B757 extended-range aircraft, writes Kieran Cooke in Dublin.

It is believed the new company, GPA Rolls, will order up to 40 aircraft from Boeing with an option on a further similar number. All aircraft will be equipped with Rolls Royce engines.

The two companies also announced their intention to set up a separate company to lease the Rolls Royce RB211-535 series engine which powers the B757 and the TAY 650 series which powers the Fokker F100 and the Gulf Stream G4.

Indonesia unplugs cash for irrigation renewal

Plan will involve at least 50,000 people, reports Annette Bingham

INDONESIA is embarking on a wide-ranging programme to improve the country's vital irrigation network. It aims to improve the return on investments and to cut the incidence of unrepaired pumps, broken banks, jammed control gates and weed-choked canals.

The programme will cover nine provinces at first and involve at least 50,000 people. It will be based on an injection of $234m from the World Bank which has funded many of Indonesia's existing irrigation projects. Eventually, the entire country will be tackled.

Mr Ir Soewasono has been Director of Irrigation throughout the period of preparation and negotiations for the Sub-Sector loan. "Irrigation systems deteriorate very quickly if they are not well maintained and operated and we are becoming increasingly concerned about this," he said. "Despite allocating an ever-increasing amount of our irrigation budget to operation and maintenance (10.3 per cent in 1986/87), the amount falls far short of our requirement."

In Indonesia, irrigation means all water resources systems, swamp agriculture, flood control, drainage projects, river improvement and groundwater development.

Two international consultants, Sir M MacDonald & Partners of Cambridge, in the UK and Sinotech of Taipei, Taiwan, are helping the Directorate General of Water Resources Development to implement the programme.

Mr M N Vivekananthan, an irrigation expert from MacDonald and the senior adviser to the consultancy said: "The aim is to equip the Indonesian institutions to handle all aspects of planning, design, construction, operation and maintenance of water resources infrastructure in a systematic and co-ordinated manner to maximise agricultural production."

The nine provinces which are included in the first phase have a total land area of 411,000 sq km (21 per cent of the land area of Indonesia) and harvest wetland paddy on 6.8m hectares (75 per cent wetland harvested area in Indonesia).

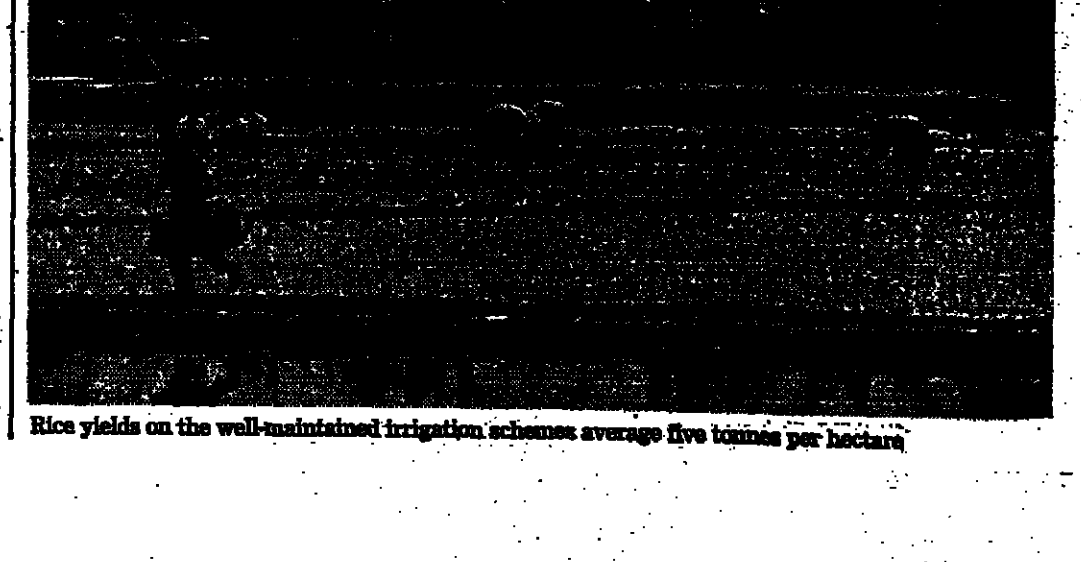
Rice yields on the well-maintained irrigation schemes average five tonnes per hectare, but are cut if the schemes are badly operated and maintained. Indonesia is trying to keep expansion of food production a step ahead of population growth without incurring the cost of building new irrigation at between $3,000 and $5,000 a hectare. According to Mr Bert Kramer of the World Bank's office in Jakarta: "There has been a tendency for irrigation investments to lie idle for years. The weirs are built initially, and then canals are completed in years to come."

To introduce efficient operation and maintenance over about 4m hectares will cost 2.4bn rupiahs ($1.4m) in the first year, rising to about 50bn rupiahs in the 15th year (at 1987 prices). Bringing existing schemes up to standard for continued maintenance will cost about 1,000bn rupiahs.

The World Bank recommends that the cost of maintaining irrigation schemes should eventually be met by the farmers who benefit from the water. This will be hard on Indonesian farmers most of whom are poor and own less than half a hectare of land. Even where irrigation is assured farm incomes are often less than $115 per head per year.

The Bank and the various Government departments involved have agreed that improved collection of property taxes in irrigation areas will help recover costs. A direct irrigation service fee is also likely to be imposed.

Farmers may pay for better service but may aso find they have to cut the amount of water they take. Many farms in strategic locations at the head of a main canal take water at the expense of downstream farmers. They are unlikely to welcome measures which restrict their water supply and then impose an irrigation service fee.



Rice yields on the well-maintained irrigation schemes average five tonnes per hectare

BUSINESS LAW

Lost profit — back to square one

By Ian Lupson and Martin J. Piers

OUTSIDE the realms of liability for negligence advice, it has never been a simple matter in the English courts for a company successfully to sue another company or person which caused it economic loss or loss of profit, without any attendant physical damage or threat thereof. Unless, of course, such loss was caused in the framework of a contractual relationship.

Two Court of Appeal decisions reported earlier this year – *Simaan General Contracting Company v Pilkington Glass (no 2) (1988) 1WLR 761* and *Greater Nottingham Co-operative Society Limited v Cementation Piling and Foundations Limited* – have served to re-emphasise this traditional judicial reluctance and represent a further step back from the case which represents the high watermark of recovery in this area, *Junior Books Limited v The Veitchi Company Limited (1983) 1 AC 520.*

Junior Books (which was a House of Lords decision) might have been though of at the time as permitting a type of claim akin to the "product liability" concept against a negligent sub-contractor with whom the claimant was in no direct contractual relationship, in circumstances where the sub-contractor was supposed to know about the claimant's particular needs.

The facts were briefly as follows:

The plaintiffs had appointed a firm of builders as main contractors to build a factory and those builders had then entered into a further contract with Veitchi as sub-contractors to lay some floors.

Veitchi specialised in this field and had been nominated for the job by the plaintiff's architects, but still the job was done so badly that the flooring had to be lifted and replaced.

The House of Lords were asked to consider whether when the facts were assumed, Veitchi could be liable to Junior Books in circumstances where it was not alleged that Junior Books had suffered injury or danger. Veitchi's argument, predictably, was that to make them liable in such circumstance would open the much vaunted "floodgates" of liability, which had hitherto been kept firmly closed even though the possibility of their being opened (at least to a limited degree) had been ventilated in the House by Lord Diplock, *obiter*, in *Lambert v Lewis (1982) AC 225.*

On this occasion, however, the traditional argument did not hold sway and Veitchi were held liable.

This result was achieved by their lordships not adhering slavishly to principles but rather extrapolating precedents: Lord Roskill quoted the seminal judgment of Lord Wilberforce in the case of *Anns v Merton London Borough (1978) AC 728* as authority for the fact that it was no longer . . .

" . . . necessary to bring the facts of [a] situation with those of previous situations in which a duty of care [had] been held to exist."

Thus in *Junior Books* the "proximity" of the tortfeasor to the plaintiff – in the sense that the relationship between them was held to be as close as it could have been short of actual contract – allowed their lordships to find liability.

Proximity was provided by a number of important facts including that Veitchi were nominated sub-contractors, specialists in flooring, and knew what products were required by the plaintiffs and by the main contractors. Junior Books relied on Veitchi's skill and experience – something which Veitchi (as nominated sub-contractors) ought to have known. The fact that financial or economic loss would result to Junior Books if the work were undertaken in a negligent way was considered something that Veitchi ought to have contemplated.

Since 1983, however, it has become increasingly clear that for the time being *Junior Books* must indeed be viewed as something of a zenith in cases involving liability for economic loss in circumstances where the activity complained of is something other than the giving of professional advice.

Two years after *Junior Books* the Court of Appeal in *Muirhead v Industrial Tanks Specialities Limited (1986) QB 507* were able in fairly short order to distinguish *Junior Books* seemingly on the grounds that the decision in that case turned on its peculiar facts. The requisite "proximity" was not present in *Muirhead* where the plaintiffs were the ultimate users of an electric pump intended to oxygenate water in a tank of lobsters, and the defendants were the manufacturers (ie, there was no contract between the parties).

The plaintiff recovered for the unfortunate demise of the lobsters due to the malfunction of the pumps, but not for the purely economic losses attendant thereon (the loss of profit through mark-up).

Their Lordships themselves, in *Peabody Donation Fund (Governors) v Sir Lindsay Parkinson Limited (1985) AC 210* had placed a further limitation on the recoverability of economic loss by circumscribing the nature of the duty, breach of which (it was being argued) might give rise to such recoverability – no liability being found for economic loss in respect of breach of duty, the purpose behind which duty was to protect the health and safety of the residents of a building.

Two decisions this year curtail further the ambit of recoverability of economic loss.

The first is the Court of Appeal decision in *Simaan General Contracting Company v Pilkington Glass (no 2) (1988) 1 WLR 761.* Here Bingham LJ, in the leading judgment, interpreted *Junior Books* as arising from physical damage, and since the plaintiffs before him had had no property in the allegedly damages items (glass walling units specified to be green but apparently not so) at the time the "damage" (if any) had occurred, then there could be no recovery. His Lordship did not feel, it seemed, that the law in England and Wales was yet such that a plaintiff might recover on a claim for foreseeable economic loss *simpliciter*.

Shortly after Simaan, in *Greater Nottingham Co-Operative Society Limited v Cementation Piling and Foundations Limited* (reported in The Independent, April 1 1988) the Court of Appeal placed a further hurdle in the path of the litigants seeking to recover in respect of pure economic loss by stating that where the parties were in direct contractual relations, but that contract made no provision for liability in the circumstances which had arisen then there can be no tortious right to recover for pure economic loss not attendant upon physical damage.

Where does all this leave the prudent businessman, and what sort of advice is he likely to receive if he is unfortunate enough to suffer such loss?

Obviously, not all losses will produce a claim at law – there may be no allegedly negligent defendant as for example in dislocation to business which occured in the aftermath of last October's storms. After such an event most people look to their various insurances and of course the prudent risk manager within a company will be aware that cover is available against precisely the sort of loss which presumably ruined the unfortunate lobster farmer in the *Muirhead* case.

In insurance terms this "consequential loss" or "business interruption" cover is a relative novelty, having only really become available in the last few decades. Slight variations have developed on the other side of the Atlantic, the principal difference being as to the way in which the period of indemnity is measured.

Although by opting to have this cover a company may almost double the amount of its material damage premium, such cover is fairly common and may be thought to be of increasing importance as industry tends towards systems of operation whereby stock holding is reduced and sales are made more directly dependant upon production. Obviously in such circumstances any break in production will have a much more immediate effect upon sales, and thus upon profit.

It should be noted that consequential loss cover cannot usually be purchased in isolation but is to be had as an endorsement on the standard material damage cover.

In this regard it might again be said that recovery for economic loss is dependant upon material damage – although rather less directly than at law.

It is impossible to predict the direction in which the law will develop, but certainly the decisions since *Junior Books* might be though to run somewhat counter to what can otherwise be perceived as the recent broad drift in the laws of England and Wales towards greater consumer protection, epitomised by the Consumer Protection Act 1987.

However as matters now stand in the absence of appropriate insurance cover companies may learn to their substantial cost that their ability to recover damages at law is unlikely to extend to pure economic loss apart from certain narrow circumstances.

Ian Lupson is a solicitor and Martin Piers is a partner at Gouldens, City solicitors

PUBLIC WORKS LOAN BOARD RATES

Effective July 27

Years	Quota loans repaid by EPT†	Quota loans repaid At††	Quota loans repaid at maturity§	Non-quota loans A* repaid by EPT†	Non-quota loans A* repaid At††	Non-quota loans A* repaid at maturity§
1	-	-	10⅜	-	-	11⅛
Over 1 up to 2	10¼	10¼	10⅛	11¼	11¼	10⅞
Over 2 up to 3	10⅛	10⅛	10⅛	11⅛	11⅛	10⅞
Over 3 up to 4	10⅛	10⅛	10⅛	11⅛	11⅛	10⅞
Over 4 up to 5	10⅛	10⅛	10⅛	11⅛	11⅛	10⅞
Over 5 up to 6	10⅛	10⅛	10⅛	10⅝	10⅝	10⅝
Over 6 up to 7	10⅛	10⅛	10⅛	10⅝	10⅝	10⅝
Over 7 up to 8	10⅛	10⅛	10⅛	10⅝	10⅝	10⅝
Over 8 up to 9	10⅛	10⅛	10⅛	10⅝	10⅝	10⅝
Over 9 up to 10	10⅛	10⅛	10	10⅝	10⅝	10½
Over 10 up to 15	10⅛	10	9¾	10⅝	10½	10¼
Over 15 up to 25	9⅞	9¾	9⅝	10⅜	10¼	10⅛
Over 25	9⅝	9⅝	9½	10⅛	10⅛	10

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Current account deficit widens by further £1bn

By Philip Stephens, Economics Correspondent

BRITAIN's trade position showed a further sharp deterioration in June as surging demand in the economy translated into another deficit of £1bn on the current account of the balance of payments.

The Department of Trade and Industry said the shortfall, which was only marginally less than the £1.1bn deficit seen in May, took the current account gap in the first half of the year to £5.6bn. That compares with a deficit of only £1.6bn in the whole of 1987.

Evidence in the figures of a renewed jump in imports rekindled speculation in financial markets that the Government might again have to push up base interest rates to cool the pace of spending.

That in turn brought additional gains for sterling on foreign exchange markets. The Treasury, which last week ordered the Bank of England to intervene to hold down sterling, cautioned, however, that the markets should not regard it as "a one-way bet."

At Westminister the trade news was greeted with a flurry of criticism from the opposition Labour Party. Mr Neil Kinnock, the party leader, said that after the March budget Britain had become locked into a "vicious circle" of growing trade deficits, rising interest rates and an over-priced pound.

The Treasury, however, remained outwardly unruffled despite its own internal forecasts suggesting that the deficit for the whole year was likely to be £10bn. The trade gap, it said, reflected the recent strength of the economy. As the economy slowed to a more sustainable rate, the deficit would gradually narrow.

CURRENT ACCOUNT

	Current balance	Visible balance: Balance	Exports	Imports	Invisible Balance
1986	+0.1	-8.5	72.7	81.1	+8.6
1987	-1.6	-9.6	79.6	89.2	+8.1
Qtr 2	-0.2	-2.3	19.4	21.7	+2.1
Qtr 3	-0.9	-3.1	20.2	23.3	+2.2
Qtr 4	-1.4	-3.0	20.5	23.5	+1.6
1988					
Qtr 1	-2.8	-4.0	18.8	22.8	+1.2
Qtr 2	-2.8	-4.3	20.2	24.5	+1.5
Apr	-0.7	-1.2	6.8	8.0	+0.5
May	-1.1	-1.6	6.5	8.2	+0.5
June	-1.0	-1.5	6.8	7.3	+0.5

Figures for invisibles since April 1988 are first estimates

The Bank of England has raised interest rates by 3 percentage points since the beginning of June, a tightening which it believes will have a significant impact in cooling demand. Mr Robin Leigh-Pemberton, the Bank's Governor, said yesterday that the aim was to place effective an restraint on demand without driving the economy into recession.

Whitehall officials also pointed to a surge in imports of capital goods as evidence of an investment boom which will increase Britain's industrial capacity and to a significant revival in exports.

The latest figures, however, also underline the extraordinary buoyancy of demand for imported consumer goods. Imports of cars rose by 14 per cent in the latest quarter compared to the previous three months, while those of other consumer goods increased 11 per cer cent. Those figures compare with rises of 11 per cent and 6 per cent respectively in capital and intermediate goods.

Excluding oil and erratic items, the volume of imports in the three months to June was 6 per cent higher than in the first quarter and 13 per cent above the levels of a year earlier.

Exports also grew rapidly in the latest three months but not by enough to close the widening trade gap. Excluding oil and erratics, the volume of exports was 6 per cent higher than in the first quarter and 6 per cent above that of a year earlier. Exports to European Community countries were particularly strong in the latest quarter

The general view among economists was that even if the economy slowed significantly, the current account gap was likely to be at least £10bn both this year and next because imports were now much larger than exports. "You have to run fast just to stand still", commented Mr Ian Harwood of Warburg Securities.

On the foreign exchange market, the pound closed 1.25 cents higher at $1.7260 and rose by 0.5 pfennigs to DM3.1925.

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Government puts final touch to reform of local authority finance

Councils face house subsidy curbs

By Peter Riddell, Political Editor

FAR-REACHING proposals to prevent local authorities from subsidising council rents out of general rate (property tax) funds were yesterday outlined by the Government to complete the reorganisation of local government finance.

The changes, to be introduced in April 1990 after legislation in the next parliamentary session, provide for the ring-fencing of local housing revenue accounts separate from other local authority functions. At present, some authorities hold down rents for their tenants by using money raised from ratepayers.

The aim is to reduce anomalies in the subsidy system and widely differing levels of rent between similar types of property. It should remove current obstacles both to the sale of houses to tenants and to transfers to private sector and co-operative landlords proposed in the current housing bill.

The Labour-controlled Association of London Authorities claimed the that annoucement "could send rents through the roof." Mr Maurice Barnes, chairman of the association's housing committee, said councils were "trying to take the brunt of high London costs and inadequate government subsidy from tenants by using part of the rate fund to keep rents at reasonable levels which people can afford to pay. By banning this practice, the Government could be pushing rents up more than £20 in some boroughs."

The Government emphasised yesterday both that subsidies would continue to be paid via a new housing revenue account subsidy, though fixed by the Department of the Environment rather than locally, and there was no intention of moving generally to market rents for council housing.

A consultative document said the new regime was intended to be "fairer towards tenants and future community charge payers alike, and fairer between tenants in different areas. Rents generally should not exceed levels within the reach of people in low paid employment, and in practice they will frequently be below market levels." They should, however, be set by reference to what people can pay and what the property is worth rather than by reference to historic cost accounting figures.

After a transitional period aimed at avoiding "any sharp change in the level of rents", the effect will be to link rent levels more closely to the efficiency or otherwise of local authority landlords.

Yesterday's consultantive paper says explicitly that tenants will be "be given clearer signals about the performance of their council's housing operations.

Mr Nicholas Ridley, Environment Secretary, said that in place of "major inconsistencies between authorities in the contributions to housing costs made by rent, rate and taxapyers," the new regime would make "council landlords more accountable to their tenants and put tenants themselves in a position of greater equity as compared to tenants in other authorities."

In Brief

Mortgage lending by banks hits record

Britain's banks lent a record £3.3bn in mortgages for house purchase in the second quarter of this year, 40 per cent higher than the corresponding period last year, Andrew Taylor writes.

The sharp increase was largely because of a rush to complete house purchases ahead of August 1, when multiple mortgage tax relief for single dwellings will end. Higher interest rates are expected to slow the growth of mortgage lending.

Overseas aid down

Public spending on overseas aid fell by £86m to £1.28bn last year as a result of the bunching in 1986 of major project spending in India, said the Overseas Development Administration. Britain, however, lags only behind the US, New Zealand, Ireland and Austria among OECD countries in proportion to economic output devoted to aid.

Otis consolidates

Otis, US lift manufacturer, is to absorb the activities and name of Wadsworth, its UK subsidiary, which at present has a separate marketing organisation. Wadsworth's name may still be used for specialist lifts.

More businesses

About 45,000 new businesses were newly-registered for VAT in Britain last year, the highest number this decade, said Mr Norman Fowler, Employment Secretary.

£150m coal deal

Cardiff-based Crouch Mining won a £150m contract from British Coal to open cast 15m tonnes of coal at Dalquhandy, between Glasgow and Edinburgh.

Festival closes

The 16-day £1.8m Festival of London at Alexandra Palace went into voluntary liquidation after four days. Organisers blamed poor attendances and appalling weather.

Rail subsidies fall

Government subsidies to British Rail will fall to £572.5m for 1988/89, compared with £794.7m last year, Mr Paul Channon, Transport Secretary, said.

Long distance bleep

British businessmen may be able to "bleep" US counterparts in New York next year after British Telecom announced a £16.4m takeover of Metrocast, the American radiopaging operator. The service could be extended to Europe within four years.

New radio station

The go-ahead has been given for Radio Tara, an Irish-based commercial radio station, which could reach a potential audience of 25m people in the UK.

Sunday deliveries

New services offered by the Post Office could include Sunday collections and deliveries, said Sir Bryan Nicholson, chairman. The news came as the Post Office announced a 25 per cent increase in profits to £212m.

NALGO strike call

NALGO, the local government officers' union, is urging its members to vote for industrial action in the autumn

Long-thin ship design 'correct for Navy'

By Charles Hodgson

THE ROYAL Navy's rejection of a radical redesign of its warship hull shape was vindicated yesterday with the publication of an independent study clearly dismissing the "short-fat" design concept in favour of the traditional "long-thin" model.

An expert inquiry carried out by Lloyd's Register of Shipping, reached the "firm conclusion" that the short-fat Sirius hull, designed by Thorneycroft, Giles and Associates, was unable to meet Navy requirements as well as the conventional Type 23, now being built.

"The Type 23 solution is cheaper both to build and to operate and has a better overall performance than can be achieved by a vessel based on the Sirius concept," the report says.

It adds that the Ministry of Defence was correct in its rejection of the Sirius design in 1983.

Mr George Younger, Secretary of State for Defence, said yesterday that he accepted the conclusions of the "professional, thorough and impartial" report. An MoD spokesman said the ministry would "certainly make no change to its Type 23 programme and does not envisage any change in the future." There are at present four Type 23 frigates under construction, and the MoD recently announced plans for three more. The spokesman added that the Navy used the short-fat design for smaller vessels such as mine hunters and offshore patrol boats.

Thorneycroft, Giles argued that the short-fat hull design offered substantial advantages for frigates and destroyers in building and maintenance costs and in construction time. It also claimed that such vessels would be more stable and manoeuvrable and capable of carrying a greater weapon outfit.

After the initial findings of the inquiry, the company developed a longer version of the short-fat hull, but this too was rejected by Lloyd's Register. The 20-month inquiry found that while the new version, the S115, came closer to meeting Navy requirements it was still inferior to the Type 23 in a number of important areas.

It would need 69 per cent more power than the Type 23 to meet the Navy's maximum speed requirements; it would cost more to build and operate and would exceed noise limits for use in towing sonar, the report said.

Court rejects Libyan bank plea over funds frozen in London

By Raymond Hughes, Law Courts Correspondent

MANUFACTURERS Hanover Trust Company, a New York bank, has won the right to fight a demand that it release more than $41m of Libyan funds frozen in its London branch by President Reagan's anti-terrorism sanctions against Libya.

The High Court in London yesterday rejected a plea by Libyan Arab Foreign Bank, which is owned by the Libyan central bank, for immediate judgment on its claim for the money to be paid out to it.

The plea was based on a High Court ruling last September that Bankers Trust, another New York bank, must hand over $292m of Libyan funds that had been frozen in its London branch since January, 1986, because of President Reagan's sanctions.

In that case the court ruled that the money was governed by English law and was not within the extra-territorial grasp of the US.

Libyan Arab Foreign Bank argued that, because its claim against MHT was virtually identical to the earlier case, the decision in that case was conclusive on the issues involved.

However, Mr Justice Hirst said yesterday that because the facts in the two cases were not entirely identical it would be right for the matter to be fully tried.

He said that his conclusion gave him no satisfaction.

"It is of the greatest importance to the reputation of the City of London as a banking and financial centre that customers of a London-based bank should be able to recover without difficulty debts admittedly owed by the bank.

"Pending the trial the money is, of course, safe in MHT's hands and there is fortunately no question of Libyan Arab Foreign Bank suffering any ultimate disadvantage if they succeed, since they will be entitled to interest to compensate them for the delay in recovering their debt."

Saying that it was in the interest of the parties, and in the public interest, that the matter be resolved as quickly as possible, he directed that the case should come on for trial in January.

The judge said that MHT argued that the Libyan bank was not entitled to recover the $41m because the banking contract between them was governed by New York law and, because of the presidential sanctions, MHT would break US law if it complied with the Libyan demand for the money.

Libyan Arab Foreign Bank argued that the contract was governed by English law.

Mr Justice Hirst said that the issue of the proper law of the contract was a mixture of law and fact.

He reaffirmed the view expressed by the judge in the earlier case that it was the general rule of English law that a contract between a bank and its customer was governed by the law of the place where the account was kept. It was, he said, a rule of the greatest commercial importance.

"I am very conscious of the need, wherever possible, for consistency of decision in commercial and banking matters, but I do not think this consideration goes so far as to warrant, without more ado, a summary judgment on an issue of mixed law and fact unless the circumstances of the second case so exactly replicate those in the first that there is no possibility of a different conclusion being drawn on a full trial."

Yesterday's ruling puts MHT in much the same position as that in which Bankers Trust found itself last year. In the earlier case a High Court decision giving the Libyan bank summary judgment was overturned by the Court of Appeal, which decided that there should be a full trial – at which, in the event, the Libyans were successful.

It had been anticipated that the Bankers Trust case would go on appeal all the way to the House of Lords. However, last October, in a surprise move, the Treasury Department in Washington issued a licence enabling Bankers Trust to pay over the $292m plus interest, a total of slightly more than $320m.

There was a belief that the US had decided that it would be to its advantage to bow to the High Court, which has limited authority, rather than risk an adverse ruling by the Law Lords – so leaving open the possibility of an appeal to the higher courts in more favourable circumstances should a similar case arise.

It remains to be seen whether the particular facts of the MHT case create such circumstances.

Report on steel out after 2-year delay

By Nick Garnett

A REPORT by the Monopolies and Mergers Commission on the British Steel Corporation was published yesterday nearly two years after completion.

The Government had held on to the report while the corporation's management succeeded in removing evidence from it which was judged commercially sensitive.

The commission began the inquiry in 1985. Since then the European Community's output quotas have been scrapped and the corporation has moved from being a big loss-maker to a big profit-maker. It is also due to be privatised.

Mr John Safford, director general of the British Iron and Steel Consumers Council, said, "It seems quite ridiculous that the Government should spend two years arguing with the BSC over such points, thereby diminishing the utility of the report. It has made us very angry."

The 225-page report is on efficiency and costs at BSC. The Government ordered it under section 11 of the 1980 Competition Act, which allows referrals to the commission on the operation and behaviour of nationalised industries.

Among the report's 48 recommendations are that BSC:

- Should improve the way it determined what its investment programme should be.
- Needed to review its stockholding practice and its maintenance procedures.
- should institute methods for improving quality.

The corporation had objected to the use of specific performance, price and cost figures related to its general steels and strip products division which were removed before publication.

Yesterday it welcomed the report and said many points raised in it had been addressed since the investigation began.

MPs attack 'haste' of electricity sale

By Maurice Samuelson

THE GOVERNMENT was told yesterday to stop trying to rush the electricity industry into the private sector before it had worked out major implications of its sell-off policy.

The House of Commons Select Committee for Energy, which made the call, said that plans to present a Bill to Parliament in November imposed a "frighteningly tight timetable" on the Government which should, if necessary, delay the process by at least six months to allow for fuller consultation.

In a report on the findings of its seven-month inquiry into the privatisations plans, the committee accused the Government of discovering new problems as it went along, with the risk of producing "ill-considered legislation."

Officials in Whitehall, trying to brush off the report, said many of its queries, such as those on how the private electricity industry would be regulated, were already being dealt with.

Even so, ministers are expected to comply with the committee's urgent request for an official response within two months.

Opposition politicians were delighted with the report. Mr John Prescott, Labour's energy spokesman, said it showed that the electricity industry was being forced to take "an ideological leap in the dark".

Labour would now demand a second White Paper (policy document) on the future of the industry before any legislation was tabled, he added.

Commenting on the report's call for a separate regulator in Scotland, Mr Donald Dewar, shadow Scottish Secretary, said the Government should now introduce separate electricity privatisation legsislation for Scotland.

Presenting the report at a Commons press conference, Sir Ian Lloyd, chairman of the Conservative-dominated committee, said that in trying to assess the Government's intentions he and his colleagues had been "sailing uncharted seas".

Sir Ian Lloyd: uncharted seas

Comparing it with other privatisation measures in the Government's programme, he said there was "no real precedent for a change of this magnitude" and that there was "great uncertainty" about its objectives and the methods of achieving them.

As well as uncertainties on how the industry would be regulated, two unresolved issues stuck out: whether the customer would benefit and the effect on certainty of electricy supply.

Among its 50 conclusions and recommendations, the committee makes several which have not yet appeared in the Government's published proposals.

They include an arrangement for a future break-up of the two companies which will be initially involved in a 70:30 share out of the power stations in England and Wales.

Other proposals are:

- A regulator should be appointed very soon to overlook the forthcoming negotiations between the coal industry and the embryo electricity companies;
- Existing generators should not be sold at a discount as this would discriminate against new entrants;
- Existing generators' nuclear business must be "ring fenced" for regulatory purposes.

Mercury gives Britain first competitive payphone service

By Hugo Dixon

THE FIRST payphones to compete with British Telecom's service were launched yesterday by Mercury Communications.

They were sited at a number of locations at Waterloo railway station, London.

Mr Gordon Owen, Mercury's managing director, claimed that the new phones would be cheaper and more reliable than BT's.

The Office of Telecommunications gave Mercury permission to offer a competing service nine months ago when public concern about the reliability of BT's payphones was at its height.

Professor Bryan Carsberg, the Director-General of Telecommunications, who was present at the launch, said that he would almost certainly allow further companies to run competitive payphone services on private premises – such as public houses and hotels – later this year.

He was also considering introducing more competitors for payphones in public places, but he was concerned that they would set up payphones on only the most profitable sites, leaving BT with the unprofitable locations.

Mercury has set up 26 phones at Waterloo and plans to have 400 in operation, mainly in the London area, by next spring. The minimum cost of a call is 5p and Mercury says the average cost of a call will be between 5 per cent and 20 per cent cheaper than BT's service.

Mercury's payphones use credit cards and special phonecards, but not cash. The boxes are designed for wheelchair access.

Mr Owen said that because they did not use cash and would be cleaned daily the Mercury sites were less liable to be vandalised than BT's payphones.

By the end of the year Mercury phone users will be able to order a taxi or book a hotel or theatre seat just by pressing a single button.

Ministers investigate £12m transactions with investors' funds

Isle of Man tracks Clowes movements

By Ian Hamilton Fazey, Northern Correspondent

ABOUT £12m of Barlow Clowes investors' money has now been traced to the Isle of Man, mainly to companies selling helicopters and executive jets and to three private investment companies.

Isle of Man ministers decided yesterday to investigate the transactions to see if the island's banking regulations had been broken.

Liquidators from Cork Gully are also questioning payments made to the International Trust Corporation (ITC) of Ramsey, which is owned and run by Mr Peter Clowes's known associate on the island, Mr Peter Henwood.

Investigations on the island have shown, however, that the picture would have been much worse had Mr Clowes not been twice rebuffed by the island's Financial Supervision Commission (FSC) when he tried to buy two banks – the Celtic Bank and the Douglas Bank.

He then tried to buy the ITC, a private company engaging in a wide variety of businesses, from Mr Henwood. The island government could not have stopped this going through and the sale would have gone ahead had not the Stock Exchange crash last October wiped out the value of shares in James Ferguson Holdings, the Barlow Clowes parent, which were to be used to pay for the deal.

The FSC's actions will almost certainly raise further questions about the role Britain's Department of Trade and Industry, for they came at a time when the DTI was in the process of relicensing the Barlow Clowes operations in the UK.

The man behind the refusals was Mr Jim Noakes, the banking supervisor, a Bank of England official seconded to the island to set up more effective supervisory machinery after the Savings and Investment Bank there collapsed with £42m of depositors' funds six years ago.

Mr Noakes's knowledge of Mr Clowes is understood to have come from the FSC's network of intelligence on the financial industry worldwide, which is closely linked to that of the Bank of England. This almost certainly means that the Bank of England knew enough about Mr Clowes to warn against him when the DTI was giving him its imprimatur again.

The fact that he was licensed by the DTI was used by Mr Clowes in an attempt to prove his respectability to the Isle of Man government and get the FSC sanction against him overruled. However, he reckoned without the way in which the present island government interprets its own appeals procedures against FSC decisions.

Theoretically, any decision can be appealed against, but Mr David Cannan, the present finance minister, takes the view that this should be invokable only if an institution already operating on the island has its licence removed.

This is seen as in keeping with principles of natural justice, whereas would-be deposit-takers who are refused by the FSC are merely being turned away, not being deprived of an existing livelihood.

The view is that if they were allowed to appeal come what may, the government, not the FSC, would in effect become the decision-maker.

Mr Michael Jordan, of Cork Gulley, is also the co-liquidator with Mr Tim Beer of Peat Marwick McLintock of the Savings and Investment Bank. He said yesterday: "We are having discussions with Mr Henwood and looking into certain payments."

The aircraft companies involved are Corporate Aviation (formerly Manx Helicopters) and Lear Jet Sales. Mr Henwood and Mr Clowes were involved in both and Mr Guy Cramer, the Leeds entrepreneur currently trying to get his assets unfrozen by the High Court, is a former director of Corporate Aviation.

Mr Cramer acted with Mr Henwood on Mr Clowes's behalf in trying to buy the Celtic Bank. They offered £10m in James Ferguson Holdings paper to the bank's owner, the supermarket and property millionaire Mr Albert Gubay. Mr Gubay says that he showed them the door anyway, irrespective of the licensing implications.

The attempt to buy the Douglas Bank – which has since been acquired by the British and Commonwealth group with full approval of the FSC – was also made through a nominee. Discussions broke down after the FSC insisted that the identity of the ultimate beneficial owner of the bank be disclosed.

Mr Henwood was either not available or away during the FT's inquiries on the island. He has since been said by staff to be "on holiday."

Today newspaper claims sales recovery to more than 500,000

By Raymond Snoddy

THE TODAY newspaper, Mr Rupert Murdoch's mid-market tabloid, claimed yesterday it had passed the 500,000 circulation mark for the first time since the period immediately after its launch in 1986.

Last week the unaudited average daily figure for the colour paper founded by Mr Eddie Shah was 510,861, a considerable turnaround since Mr Murdoch bought the heavily loss-making newspaper from Lonrho a year ago in a deal worth £38m.

At the time the paper was losing £31m a year and although the circulation was publicly claimed to be around 330,000, Mr David Montgomery, the paper's editor and chief executive, says it was actually less. "If it was 300,000 that was the height of it," Mr Mongomery said yesterday.

The Today editor believes the paper is now selling at the rate of 535,000 a day and that the July average will be more than 500,000.

Mr Terry Sullivan of TAP Media Research (formerly Holborn Research Services) estimates that this gives Today a readership of more than 1.3m.

Since he took over Mr Mongomery, a former editor of the News of the World, has aimed the paper firmly at the young and enterprising property-owning classes and campaigned on many consumer issues such as value-for-money holidays.

It is believed that losses were cut to just under £19m in the year to June and the target is to take this figure below £10m this year. Break-even circulation is probably somewhere between 650,000 and 700,000 and advertising revenue is starting to rise .

When Mr Murdoch took over a year ago it is believed that advertising revenue was running at around £80,000 a week. The total advertising revenue for the financial year to June 1988 was £5.56m, it is believed, with more than £3m earned in the first six months of this year.

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Così fan tutte at the Aix-en-Provence Festival

Of Aix's three operas this summer, Denis Llorca's new production of Mozart's celestial comedy has been the deserving favourite on every count: a vivacious cast, a clever staging and a fine conductor and orchestra. The night before seeing it, I was forewarned by a wonderfully sympathetic Haydn oratorio performance in Saint-Sauveur Cathedral with some of the same performers. In accordance with Aix custom The Creation began a quarter-hour late (something which the philosopher Leibniz held to be logically impossible), but thereafter time flew by with the utmost grace.

Despite the grave "Representation of Chaos" at its outset, The Creation is a cheerful, down-to-earth celebration, dewily simple as only an old master could contrive. Conducted by Christian Thielemann, a new Berlin discovery, the English Chamber Orchestra revelled in Haydn's picturesque effects, regularly enhanced by the flautist William Bennett, in best form – like the reliable Oriana Choir.

The two soloists borrowed from Così, the tenor Hans-Peter Blochwitz and the young American soprano Dawn Upshaw, sang with exuberant warmth and wit; and though the bass Gilles Cachemaille – one of the few French singers to be heard in the festival – was a last-minute substitute, he supplied polished tone, diction and authority as well as an air of amused innocence. (He must surely be an operatic actor of parts.) If all performances of The Creation were as inspiriting as this one, we should be hearing it every week.

Conducted by Jeffrey Tate, Così fan tutte was no less fresh and eager, with the forceful thrusts that one missed in Armin Jordan's reading of Clemenza di Tito, and enriched by chiaroscuro shadings. Tate was unafraid of sharp contrasts in tempi and dynamics, and he also recognised how much of Mozart's score actually dances – Despina's "In uomini, in soldati" was an irresistible example. But Miss Upshaw's Despina was anyhow irresistible throughout: as if her wickedly pretty phrasing and timbre were not enough, she would be a delicious comedienne even with no voice at all. Her Salzburg Barbarina has proved, as everybody guessed, to mark the arrival of an invaluable operatic artist.

At curtain-call she shared the final honours with her considerable senior José Van Dam, whose detached, ironic dignity as Don Alfonso anchored the action without the least apparent effort. (If Bergman were to film a Così, Gunnar Björnstrand would be a twin of this Alfonso.) The sorely tested lovers were a piquant mix: Brigitte Poschner-Klebel's Fiordiligi a pouting, lymphatic blonde against Eirian James's sparky little whippet of a Dorabella, Blochwitz's Ferrando a smugly assured romantic against Olaf Baer's Guglielmo, alternating parody-Italian passions with sudden, wilting shyness.

Llorca has set the entire action in a sort of municipal gaming- and party-room, constantly *spied* upon by servants and strangers as well as the saturnine Alfonso, and repeatedly invaded by snake-dancing masqueraders. (From the very overture, a mute couple re-enact a version of the episode in which Mozart's bride Constanze shocked him by exposing her garter at a party.) The final tricks of the staging are perhaps too close to mere Barrault-esque chic, but Llorca has the essential flair for bringing characters into explosive confrontations, always powered by the music. This is an Aix production which should bear many happy returns.

David Murray

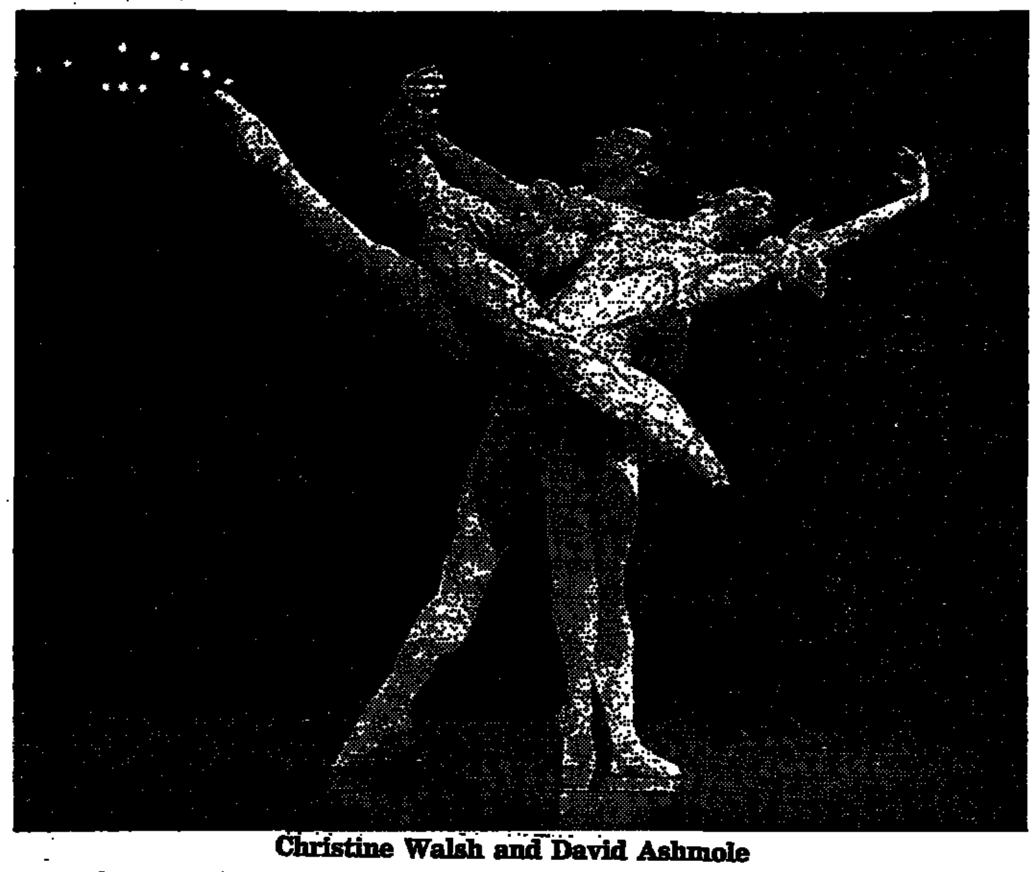
The Australian Ballet's Sleeping Beauty

COVENT GARDEN

After an absence of 12 years, the Australian Ballet has returned to London to mark Bicentennial year. And to suggest something of the changes that have taken place since their last visit, and notably those owed to the artistic direction of Maina Gielgud, Tuesday night's opening gala offered that ultimate classic test-piece *The Sleeping Beauty*.

Be it said at once that the company approach the work with a bright edge of energy to their dancing. The choreographic text is, in the main, the traditional old Royal Ballet version, with some additions by Miss Gielgud, and the Australian artists are unhesitating in their eagerness to cut and shape Petipa's patterns with whole-hearted enthusiasm. It is a view of classicism marked by frankness, a kind of sunny insouciance. You will seek in vain for a more noble manner, a certain reserve which is the special mystery of the *danse d'école*, looking beyond the immediate physical act to a decorum of spirit quite as much as of body.

The dance, is nevertheless, honest, and the company style coherent. The most immediate problem in the staging is that it appears un-serious about *Beauty* as symbol of a society, and a way of behaviour for performers other than as fairy-tale characters. The fault lies initially with the design by Hugh Colman, which I found lurid, improbable. The prologue is a madness of gold scroll-work set against a particularly vicious turquoise background: it looks like Dame Edna Everage's boudoir. The first act might have been done by Fragonard during a nervous breakdown; the finale, vaguely Hapsburg and littered with blue and white hussars, suggests nothing so much as an operetta in search of a waltz-song. Costuming is, with the exception of severe outfits for Aurora's friends, transcendentally fussy.



Christine Walsh and David Ashmole

Thus constrained, the staging never enquires beneath the surface of the dance for meaning – about the emotional and dramatic logic of Chaikovsky's score or the confrontation of good and evil implicit in the action. Certain episodes are skimped, notably those involving Carabosse, who is ill-conceived as a maniac beauty attended by giant birds. Because of the lack of sure historical locations in design, the fascinating contrast of a "real" court with magical beings, is lost: no single character on stage has any credibility. And the dancers thereby lose contact with the firm terrain of Petipa's great dance structure, so securely based in the actuality of the Tsar's court and its rules of behaviour. (It was not unilluminating to realise that this hymn to the monarchic ideal, played in the presence of Her Majesty the Queen on Tuesday night, was misfiring within the living traditions which should have ensured its success).

Leading the performance were Christine Walsh and David Ashmole. Miss Walsh, with her slender, pretty build, is an Aurora having a light and happy cantabile style. There are no clouds in her interpretation, and at her best – in the first act solo – she displays a naturally joyous and engaging manner. She is musical, and the grace of Chaikovsky's writing here touches every step, every phrase, in delightful fashion. She was delightful, too, as the vision of Aurora, though ill-served both by her variation and the dim nightdress she had to wear for choreography that requires a tutu.

Mr Ashmole, known to us from his years with Sadler's Wells Royal Ballet, is an unmannered Prince: his dancing, like his characterisation, is forthright, secure. Among the other performers, I liked the fleet Lisa Bolte as one of Florestan's sisters, and I salute the ever-helpful conducting of John Lanchbery, who guided the score with unfailing understanding. The gala was, be it gratefully noted, sponsored by M.E.P.C.

Clement Crisp

Ruders' Violin Concerto

CAMBRIDGE FESTIVAL

This year's Cambridge Festival, running through the second half of July, takes the United States as its theme. The concert given by the Matrix Ensemble under Robert Ziegler in the University Music School on Monday carefully reflected that, arriving with a programme largely devoted to works for string orchestra by a refreshingly unhackneyed selection of 20th-century Americans. The rhythmic unisons and enforced extroversion of Charles Wuorinen's The Grand Bamboula seemed a shade too insistent, and it sat uncomfortably alongside the honest transcendentalism of Ruggles' Portals and Wallingford Riegger's proto-serial Study in Sonority for ten violins.

The concert ended with a suite drawn from Bernard Herrmann's score for Hitchcock's Psycho, but its novelty had been Danish – the first British performance of the 1981 Concerto for violin and double string orchestra, harpsichord and harp by Poul Ruders. Earlier reviews here of Ruders' curiously disturbing pieces have concentrated upon his more recent music; where they came from, and indeed the overall shape of his output are still unclear as far as British audiences are concerned.

The first impression of the Violin Concerto is of a work *set apart from the mainstream* of Ruders' development. The composer's own description of it as a neo-baroque homage suggests pastiche, and the use of double strings, each group with its own "continuo" reinforces that impression.

But despite the modest scale (three unbroken movements lasting approximately 20 minutes) and the obvious Vivaldian references and motives, there is a good deal more of Ruders distinctive personality than one might expect: the violin's figurations soon escape from the four-square frame and divide into fives and sevens; the antiphonal effects from the strings begin to collide and break up the ostinatos.

The movements all carry evocative titles – "Echoes of spring", "Lullaby", "Winter chaconne" – suggesting, perhaps, a hidden programme, yet throughout Ruders preserves the calm, objective exterior of the music. For all the disorientating twists, it constantly returns to its baroque foundations and the closing bars of the finale quote directly from the Four Seasons; the final impression is one of a disquieting ambivalence between impersonal restraint and more explicit expressiveness.

It is not one of Ruders' more spectacular constructions, but throws a valuable sidelight upon his complex personality, as well as making a useful addition to the contemporary violinist's repertory. Rebecca Hirsch played the solo part *immaculately, while the Matrix* strings were an able and committed band.

Andrew Clements

Lloyd's Fourth Symphony

ALBERT HALL

The Proms commissions arrive in a flurry over the next week. David Matthew's *Cantiga* received its first performance last night, and Michael Finnissy's *Red Earth* follows next Tuesday. The sequence was started on Tuesday, however, when Sir John Pritchard conducted the BBC Symphony Orchestra in the world première of Jonathan Lloyd's Fourth Symphony.

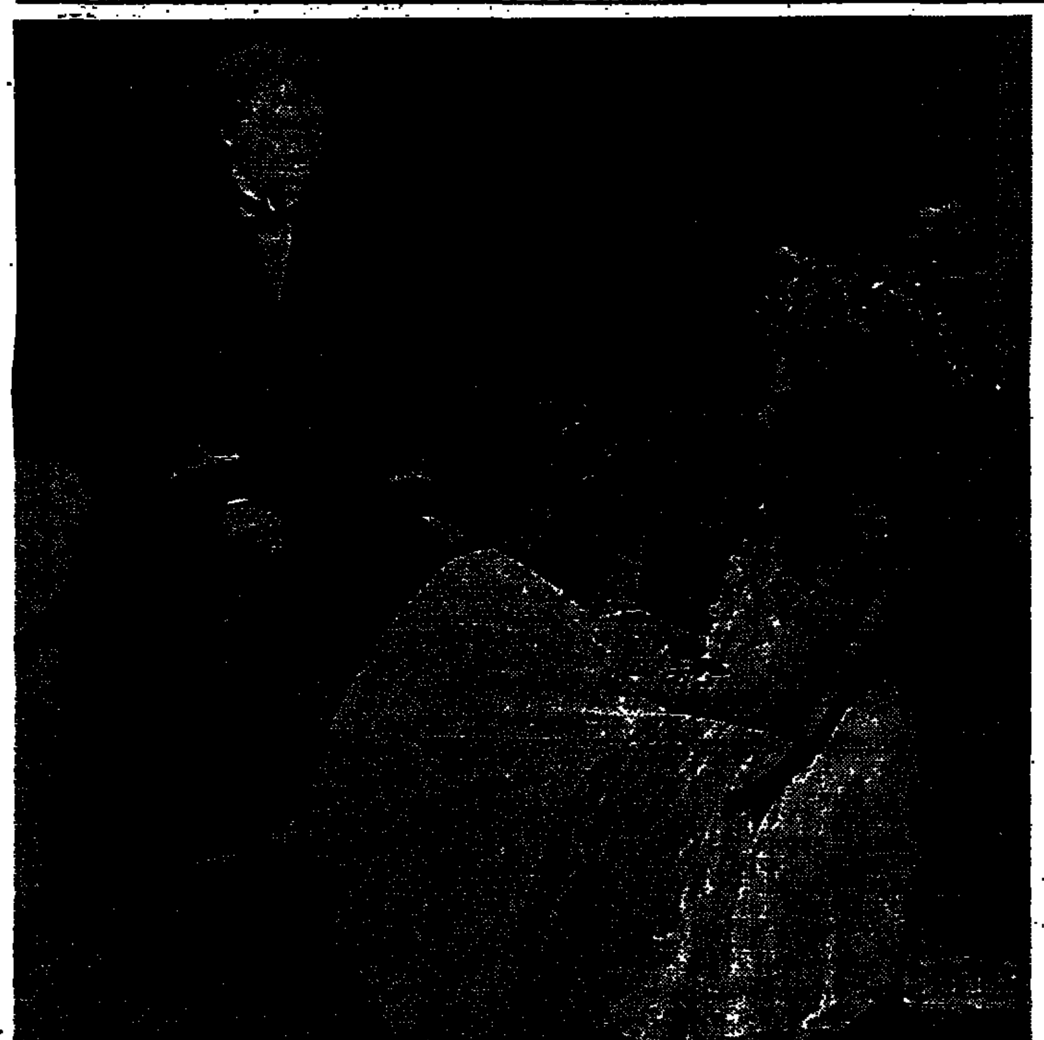
Lloyd has taken the symphonic road relatively recently: all four have been written in the last five years and the highly poetic titles of his earlier pieces have been replaced by something more austere and abstract. Poetry has not disappeared altogether from the title page of the Fourth, however – it carries a short poem by *the composer which* begins "A world wider than the eye" – and his ear for unexpected sonorities and melodic quirkiness has not been cowed at all by tackling such a hallowed genre. The instrumentation includes electric guitar, banjo, drum-kit and a quartet of saxophones, and the energy of jazz and dance inflections constantly disrupt the surface.

The symphony begins, though, with utter seriousness, gradually delineating a scale of C major, and attracting further twists and curls as it gains in definition. It sets up a spacious framework and real symphonic expectation, though the ways in which Lloyd fulfils and contradicts that expectation are by turns traditional and highly personal. The scales first discharge into a fugato-like texture, and later become submerged under the exuberance of a dance band; if that description suggests latter-day Ives, it should not, *for* Lloyd's material preserves its integrity, and diversity within a unity rather than the opposite seems to be his aim.

Whether it sustains its length, a single movement lasting roughly half an hour, is another matter. There are some riveting moments, collusions of invention and texture that are unique to Lloyd's style; nothing is predictable. But the sense of necessity about such an ambitious, stylistically discursive scheme is less clear and one wonders if the music will continue to be as diverting on the tenth hearing as it was on the first.

The new symphony was only one element in a highly varied programme of twentieth-century works which Pritchard conducted with exemplary clarity and control. It ended with the second suite from Ravel's *Daphnis & Chloe* ballet, and began with Debussy's Symphonic Fragments from the *Martyrdom of St. Sebastian*, each movement allowed the space to expand quite naturally. Timothy Hugh, the BBC SO principal celloist, was the soloist in Britten's Cello Symphony and with Pritchard's support presented a splendidly urgent, impassioned account, in which scarcely a single point of expressive detail was allowed to pass unnoticed.

Andrew Clements



Jamie Newall and Susan Nisbet as Simon Blake and Mary Rose

Mary Rose

ROYAL LYCEUM, EDINBURGH

Last Christmas saw a surprisingly successful television version of J.M. Barrie's story of a girl who vanishes on a Hebridean island for 25 years and returns, unchanged, with no recollection of where she has been, as if time had stood still for her. There but for the spirit of Celtic faërie goes one of J.B. Priestley's time-plays. Mary Rose dies but haunts the old family home, a wraith in constant search of the baby who grew up and ran away while she was presumably occupied with other wee folk.

Barrie can currently be seen on his native if not blasted heath, in the stellar cerulean of Edinburgh's blue and gold Lyceum. The play has had few revivals *since* its runaway 1920 success – perhaps catching the post-war passion for spiritualist contact with the lost – the last vouched-for London sighting being at Greenwich two seasons ago.

Hugh Hodgart's production gets off to a chronologically odd start with the post-Great War housekeeper showing the ex-ANZAC round the derelict house in impeccably Edwardian long skirts of 20 years before. Hopes or fears that *everybody* might be ghosts are dispelled. Designer Gregory Smith merely has a quaint way with costume, as illustrated by the *fey* child's entry, back in the 1880s, as a red-haired Ophelia-type, barefoot, in what appear to be Victorian underclothes.

The production intriguingly combines past and present throughout. For the Aussie's dream flashback the crumbling room is refurbished only by the remembered apple tree, trundling on like a tryffid to poke through the drawing-room window; otherwise the old crates, ivy, broken panes and dust-sheets on the settee remain for the whimsical Morland family and the wooing of their daughter by young naval officer Simon Blake. The predatory island is faintly stylised, its two bent trees evoking another Celtic playwright: is Mary Rose waiting, without realising it, for Godot? More important, has she met him?

As with the TV adaptation, the final scene, when the Australian soldier takes the eternally youthful ghost of his mother – for he is the runaway son – on his knee, comes off better than anyone *could hope from reading it.* Robin Begg and Susan Nisbet play straight, with integrity and tact. The vision of a tired ghost, aching to get back to that dimly-remembered happy place where she can play and forgetting what she seeks, is touching. Elsewhere Miss Nisbet has dealt pluckily with such Fotherington-Thomas effusions as "Goodbye, old mossy seat . . . nice rowan."

The older generation, bewhiskered and plummy-voiced, is too unvarying, though Barrie reveals an unexpected line in purry bitchiness between the two bickering old print-connoisseurs ("Let me hold it out for you as your arms are so short"), and a moving insight into the frail, well-meaning inadequacy of the very old. As the bewildered husband of the elfin child with her quarter-century disappearances to Neverland, Jamie Newall plays with intelligence and sensitivity; as the educated gillie studying for the ministry, Liam Brennan's Hebridean lilt wanders from Wales to the Levant via *Mitteleuropa*, and the earnest young man is a figure of fun rather than the Shavian paradox of the TV version. But both actors age 25 years with immense conviction – and middle age is much harder than senescence for young performers to portray.

Heroine of the evening is Savourna Stevenson underlining the ghostly action from the pit with her own harp music. "In memory everything happens to music," says Tom in *The Glass Menagerie*. It does here, and insulates the play from our practical disbelief with a layer of ethereal layer detachment. The ultimate encounter between son and spectral, unrecognising mother, is beautifully cocooned by the caressing music and Ben Ormerod's lighting.

Martin Hoyle

Moscow State Circus

ALEXANDRA PALACE

The Moscow State Circus began its British tour in Battersea Park last May and winds up next week in Christchurch, Sussex. Londoners have a last chance to catch this thrilling spectacle under the travelling Big Top staked out in Alexandra Palace until Sunday.

In recent years, circus has been hi-jacked by the soft vegetarian left. We have had, notably from Australia and the West Coast of America, a post-hippie radical circus of long-haired jugglers, feminist trapezists, heavy metal rock bands and communal high wire acts. Circus Oz, the Karamazov Brothers and the Pickle Family have been the outstanding pace-setters.

But occasionally you yearn nostalgically for the "real" escapism of Chipperfields and Victor Mature in *The Big Circus. The days of caged lions* and performing seals, alas, are gone, thanks to both quarantine laws and the animal rights lobby. But the Moscow State is a compendium of the highest human circus skills, with the sensationally exciting climax of horse-riders from Turkestan.

This last item no doubt prompted the dismal sight on Tuesday night of bedraggled "animalists" distributing protest literature to queues of happy families agog with the expectancy of pure pleasure.

And, tucked up with my popcorn and beloved offspring, pure pleasure it certainly was. The band played the right kind of circus music, proceedings were supervised by a ringmaster in black topper, white gloves and red tails, and the audience basked in the warm glow emanating from a most wonderful clown, *Anatoly Marchevsky.*

Like the great Popov, like Chaplin, Marchevsky mingles humour with pathos and is a master of exploding gesture. His role is one of underdog, *unwanted by the circus official* who chases him round the ring and prevents him skipping, drinking water or talking to women. He takes revenge through skill, on the edge of other acts, on a unicycle, as a moving statue freeze-framed in attitudes of comic defiance at each second of danger.

There are superb jugglers, a heart-stopping high-wire expedition up a 45 degree gradient into a glitterball galaxy, a snake-woman contortionist who can place her chin on her hands while simultaneously tickling her ears with her heels (think about it but don't try it unless you fancy yourself as a praying mantis), and a girl who can wear about two dozen top-speed hula-hoops like a rainbow garment.

No-one in radical circus can do inter-linking reverse triple somersaults on the high trapeze, no-one would dream of sliding down a sprung ramp while balancing on his forehead a fifteen-foot steel pole (plus standing woman). Such artistry is the prerogative of the *real* circus, as is the athletic, bareback horsemanship of the Cossack riders. How so many magnificent horses filled so small an arena at such high speed to the accompaniment of such suicidal human daredevilry will remain a pleasantly alarming mystery to me for as long as I live.

Michael Coveney

ARTS GUIDE

July 22-28

EXHIBITIONS

London

The Royal Academy. Cézanne – The Early Years 1859-72. A concentrated and illuminating study of the formative period of one of the greatest artists of the 19th century and one of the seminal figures of the modern movement. Although he came to greatness in his middle and later years, this exhibition of his early period now reveals his work in all its complexity and contradictory quality. Ends August 21.

The Royal Academy Summer Exhibition. The 220th Summer Exhibition in an unbroken sequence, the show is as dense and bizarre as ever with many good things to be discovered, a gratifyingly large number supplied by the Academicians themselves. Daily until August 7.

The Hayward Gallery. (Two exhibitions). Angry Penguins is a fascinating study of a group of young painters active in Melbourne during and just after the Second World War. Sydney Nolan, Arthur Boyd, John Perceval and Albert Tucker are all shown in impressive depth. Also: paintings from the Phillips Collection in Washington, extending from the 16th century to the present day, from El Greco, through Goya and Ingres to Francis Bacon. Its great strength is nevertheless in Impressionism and Post-Impressionism – Renoir and Cézanne, Braque and Picasso, Bonnard and Matisse. Both shows run until August 14.

British Museum. Ukiyoe – Images of Unknown Japan. This exhibition of exquisite quality brings to us, through masters of the wood-block print, the magical "Floating World" of pleasure and the senses that was Edo (modern Tokyo) in the time of the Shoguns – from the 1600s until the 1860s. Until August 14.

National Portrait Gallery. Paolozzi Portraits. An intriguing show of recent work on a subject that has fascinated the Scottish sculptor, Eduardo Paolozzi, throughout his long international career. Until August 2.

Paris

Carte Musées et Monuments, sold in museums and Metro stations, enables visitors to avoid queues at 60 museums and monuments, including the Louvre, Musée d'Orsay and Versailles Palace.

Galérie Odermatt-Cazeau. Guillaumin's deep blue of the Mediterranean, framed by green pine trees and orange earth, entices the passer-by into an eclectic exhibition of some 50 works by the masters of the 19th and 20th centuries. A monumental 1937 wooden sculpture by Zadkin watches over a representation of a seated woman by Picasso, a pastel of two dancers by Dégas, and another by Gauguin, showing two boys fighting. 85 bis Rue Faubourg Saint-Honoré (42.66.92.58). Ends July 30.

Grand Palais. Le Japonisme. 400 exhibits bear witness to the enthusiasm which swept the Western art world for all things Japanese in the second half of the 19th century. Monet decorated his house in Giverny with Japanese prints and built a Japanese bridge in its gardens. Van Gogh collected Japanese woodcuts and represented them in his paintings. Closed Tue (42.56.09.34). Ends August 15.

Centre Georges Pompidou. The Fifties, taking over Beaubourg for three months from the ground floor upwards. The postwar creative dynamism of the Fifties is represented by cars, comics, music, cinema, literature, industrial creation and by visual arts. The great figures of Matisse and Picasso open the exhibition with works in black and white; monochromes by Yves Klein and Montana close it. There are statues by Giacometti and lyrical abstraction by Hartung and De Kooning. (42.77.12.33). Closed Tue. Ends Oct 17.

Musée d'Orsay. Two exhibitions celebrate, side by side, the golden age of photography. One covers the period from 1889 to 1915 with 200 photographs and names like Felix Nadar, Eugene Atget, Lewis Carroll and Pierre Bonnard. The other pays homage to Gustave le Gray (1820-1882), whose visionary representations and poetical portraits combined with his craftsmanship to keep photography in the domain of art – his lifelong ambition. (45.49.48.14). Both exhibitions closed Mon; end Aug 14.

Institut du Monde Arabe, 23 Quai Saint-Bernard. Holy Places in Saudi Arabia. Magnificent architectural models of the Kaaba in Mecca and its black brocade veil with verses from the Koran embroidered in gold provide the non-Moslem with a realistic image of the shrines of Islamic pilgrimage. (46.34.25.25). 1 pm till 8 pm, closed Mon. Ends Sept 18.

Netherlands

Amsterdam, Tropenmuseum. The arts and crafts of Indonesia, illustrated with more than 500 objects in bronze, bamboo, textiles and precious metals spanning 2,000 years of cultural history. Ends August 21.

Amsterdam, Rijksmuseum (rear entrance). Divine Bronzes (some no more than 5cm high) illustrate the stylistic development of Indo-Javanese religious images from the 7th to the 16th centuries. Ends July 31.

West Germany

Cologne, Romisch-Germanisches Museum. Caesar's Glass. The most important display of Roman glass ever staged. It covers the period from Caesar to Justinian, from the first century BC to the 8th century AD. A joint project between the Corning Museum of Glass, New York, the British Museum, London, and the Romisch-Germanisches Museum in Cologne. Until August 28.

Berlin, Schloß Charlottenburg, Orangerie. Treasures from the Topkapi Serail – Suleyman the Pompous. Most of the 170 artefacts originate from Ottoman Empire under Sultan Suleyman (1520-1566). The exhibition includes books, jewels and carpets. Ends July 31.

Italy

Venice, Palazzo Grassi. The Phoenicians. The fourth major exhibition at Fiat's imposing art centre on the Grand Canal attempts to give a complete picture of this extraordinary people, who dominated trade in the Mediterranean for over 1,000 years. Many of the 1,200 objects displayed (gold and silver jewellery, statues and reliefs in terracotta, bronze and ivory) are extraordinarily beautiful. Until Nov 6.

Switzerland

Martigny. The Gianadda Foundation is showing the second part of treasures on loan from the Sao Paulo Museum. Entitled From Manet to Picasso, it is especially rich in Renoirs, from society portraits and little girls in frothy lace and pink and blue satin, to a fleshy nude. Van Gogh, too, is well represented. There is Cézanne's portrait of his wife, a Tahiti scene by Gauguin, early Picassos and Manet's Marie Lefebvre. (26/2978). Ends Nov 6.

Vienna

Secession. Anyone visiting Vienna must see Gustav Klimt's Beethoven Frieze in the basement gallery. Klimt and other Austrian artists, fed up with the stiffness of the Imperial Academy, broke away to form the Secession movement in 1897, which sought to escape from popular taste through experimenting in elaborate ornamentation. Until the end of July.

Palais Harrach. A marvellous exhibition of graphics and sculpture by Salvador Dali. Until the end of July.

Messepalast. Image Mexico. A rich, exotic collection of Mexican art, photographs and graphics from 1800 to 1980. Ends July 31.

New York

American Craft Museum. An ambitious show that traces the history of American architecture back to the turn of the century and emphasises the work of artists like Tiffany, Lawrie and Louise Nevelson who were commissioned to add art to the architecture. Ends Sept 4.

Pierpont Morgan Library. Over 300 items from the life and art of Beatrix Potter show the evolution of the artist and her work. Included are the illustrated letter, discovered only months ago, to Noel Moore that became the basis of Peter Rabbit and the entire sequence of 22 watercolours from The Tailor of Gloucester, lent by the Tate Gallery. Ends Aug 21.

Chicago

Art Institute. Photographs by Josef Sudek. Using his native Prague as the background, this photographer, who died in 1976, captured the lyrical quality of the Czech people and the country's beautiful landscapes. Ends Sept 5.

Art Institute. More than 50 Dutch and Flemish 17th century masterpieces from the Hermitage in Leningrad kick off a collaborative effort among several major American and Soviet museums with works by Rembrandt, Rubens, van Dyck and Frans Hals. Ends Sept 18.

Washington

National Gallery. More than 60 masterworks, from a superb 16th-18th century collection of Munich's Alte Pinakothek, include paintings by Rubens, Rembrandt, Titian, El Greco and Van Dyck. Ends Sept 5.

National Gallery (East Wing). To mark the 350th anniversary of the first Swedish colony in North America, the exhibition covers the Swedish monarchies in the 16th and 17th centuries and shows Sweden as a resplendent and aggressive world power through objects and 100 paintings on loan from the Royal Treasury, the National Museum and the royal collections. Ends Sept 5.

Tokyo

Tokyo National Museum. Von Siebold and Japan. Special exhibition of Japanese art and artefacts from the Netherlands Museum of Ethnology, collected by the pioneer of Japanese studies in Europe, Philipp Franz von Siebold. Von Siebold was the physician at the tiny Dutch settlement of Dejima in Nagasaki between 1823 and 1829. In return for teaching Western medicine and treating Japanese patients, he accepted the art works and other items that became the basis of this important collection. Closed Mondays. Ends July 31.

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THURSDAY JULY 28 1988

The boom goes on

WITH HER unexpected reshuffle this week, Mrs Thatcher appears to be saying that it will be Mr Lawson's job, and his alone, to get her out of the mess she fears he may have got her into. Whether Mr Lawson recognises that there is a challenge to meet is unclear. What is more obvious is his likely response to the fidgeting next door. If Mrs Thatcher will not allow him the best way to manage the economy – full membership of the European Monetary System – she is in a poor position to complain about the risks associated with alternatives.

What is the story so far? Our hero, the UK economy, continues to show great vitality, despite the oft-repeated prediction that a slow-down is just around the corner, as yesterday's current account figures remind one. The preliminary estimate of the current account deficit for the first half of 1988 is £5.6bn, £1.4bn more than the Treasury forecast for the year as a whole at the time of the budget, four months ago.

Driving force

The figures also support evidence from the performance of unit labour costs that demand, not competitiveness, is the main cause of the current account deficit. After some months in the doldrums exports and especially exports of manufactures have made a strong recovery, it is just that imports are up still more.

It has been argued that growing imports of capital goods indicate that investment, not consumption, is the driving force. Neither facts nor inference are correct. Taking the latest quarter over the previous one, one finds that imports of capital goods have not been the most dynamic component, rising 6 per cent in volume when imports of cars rose no less than 14 per cent. Over the previous year, imports of capital goods rose by 20 per cent in volume, not that much faster than imports of manufactures as a whole. Moreover, even if the increase in imports were accounted for by capital goods, one would learn little about the source of demand growth, since there is no necessary connection between the two.

That the economy is in the midst of a private-sector-led "dash for growth" has long been obvious. Yet with huge reserves of unemployment, large net foreign assets, a creditworthy public sector, high underlying growth of productivity and low inflation, the UK has been in the best possible position to see such a policy through.

First duty

The Chancellor's first duty, as he well knows, is to avoid an inflationary upsurge. He appears to believe that the best way to achieve this objective would be through a clearlyenunciated exchange rate link to the D-Mark. But the second best policy is not to pretend one has the best. Instead, one has to make the required signal through "actions, not words." Relatively high rates of interest must be maintained even at some risk to the exchange rate.

The current account deficit is a help more than a hindrance, because it creates the condition for relatively high interest rates, while syphoning off much of the excess demand. In itself it is not a problem. One might be worried about seeing the UK private sector become a large net debtor. There is no obvious reason why it should not reduce its net external assets.

If all goes well, the unsustainably fast growth of demand will come to a natural end as higher rates of interest bite on the demand for credit. If it does not, a major inflationary upsurge can still be avoided by holding the exchange rate steady. The risk is that there would have to be much higher interest rates than any now contemplated. That would, indeed, produce a painful "stop" to the present "go" phase of the Lawson boom.

The question is not whether much higher inflation can be avoided. It can. The issue is rather the price. Mrs Thatcher can hope for a happy ending and Mr Lawson can do his best to produce it. Appropriately, given the role their spending has played in driving the boom, the principal characters in the story now are the citizens of the UK, in whom this Government has always placed its trust.

Competition in petrol retailing

THERE HAVE long been suspicions that the big international oil companies in the UK are colluding to keep petrol prices higher than they need be. This is reflected in the latest report from the Commons Select Committee on Trade and Industry, which calls for the industry to be referred to the Monopolies Commission. Yet neither concentration nor price leadership are evidence in themselves of restrictions on competition. The committee has failed to present convincing evidence that competitive forces are not working.

The Monopolies Commission examined the industry in 1979 and found effective competition in spite of substantial concentration and a growth of oil company ownership of retail sites. Since then the trend for sites to be owned by the major companies has slowed down, although there has been a rise in the proportion of petrol sold through these high-volume outlets.

The Select Committee did not find that the increasing dependence of wholesalers on UK refineries, as opposed to the spot market, had serious implications for competition. It was more worried about the widespread and long-standing practice of product exchanges between the oil companies, on the grounds that companies would not be likely to exchange product if they believed a competitor would use it for cut-price retailing.

Type of product

While this may seem to be an excessively friendly arrangement among competitors, it is a reflection of the commodity nature of the product. Less competition at the retail level would swiftly result if oil companies were in effect restricted to selling only in areas close to their refineries.

The committee also questioned the effects on competition should big retailers, such as Shell and Esso, each with 20 per cent of the market, avoid competitive efforts to increase market share and instead seek to increase margins by charging higher prices.

This behaviour may reflect high concentration in the industry, but it is not evidence of a lack of competition itself. Trying to preserve market share and to seek higher margins is an accepted strategy in a range of industries where it is not seen as anti-competitive.

At issue is whether British motorists are paying more for petrol than they would otherwise pay in a less concentrated market or whether prices are kept artificially high because of difficulties in entering the market. Neither of these appears to be the case.

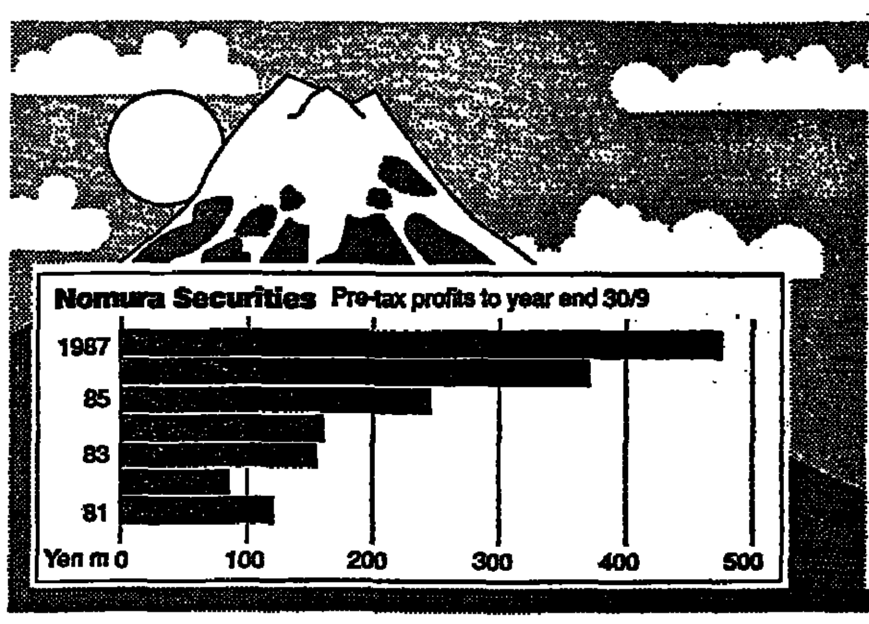
The Office of Fair Trading provided evidence to the committee showing that petrol retailing margins for the major retailers were not consistently high. The profits reported for oil company downstream operations have been weak and have varied erratically in recent years.

Formidable barriers

The OFT concluded that pump price movements correlate with both spot market prices and Brent crude prices, after allowing for movements in exchange rates, duty levels and the lag time through the refining cycle.

Barriers for new entrants are formidable, a factor caused by local authority planning restrictions as much as anything else. But newcomers have made an impact on the market, offering lower priced petrol that has imposed discipline on the leaders. For example, Conoco has aggressively built up a chain of cut price Jet stations. Sales of cut price petrol at hypermarket sites has increased strongly in recent years. The OFT has concluded that competition is strong enough to prevent the market leaders from maintaining excessively high prices.

The committee has said that the OFT has not monitored the industry adequately, questioning both the statistical basis of OFT work (based on published statistics) and the standard for measuring competition, that is, whether or not profits are excessive. But the case against the OFT is far from convincing. No doubt there are distortions in the market, including lack of price-consciousness among company car owners whose petrol is paid for by employers. But it is far from obvious that the Monopolies Commission could bring about changes in structure or behaviour which would significantly reduce costs to the consumer.



Market capitalisation
Some international comparisons

	US$ bn
Nomura	53.3
Daiwa	22.7
Nikko	20.3
Yamaichi *	17.0
Citicorp	7.5
NatWest	7.3
Salomon Brothers	3.0
Merrill Lynch	2.8
Morgan Stanley	2.0
S.G. Warburg	1.0

Source: Datastream Except * Source: Yamaichi

The Nomura-Wasserstein, Perella deal

Taking the tiger by the tail

By Stefan Wagstyl and Anatole Kaletsky

Nomura Securities, Japan's biggest stockbroker, is taking a $100m gamble in buying into Wasserstein, Perella, one of Wall Street's newest and brashest companies.

The agreement announced yesterday is the most adventurous overseas investment by a Japanese financial institution since Sumitomo Bank bought a $500m stake in Goldman Sachs, the New York investment house, in 1986.

The potential rewards are obvious: a share of the fast-growing business in advising Japanese companies making acquisitions overseas, which totalled $4bn last year.

But the risks are also large. Nomura is taking a 20 per cent stake in a mergers and acquisitions specialist which was founded only in February by two men who quit their previous company after a boardroom row. Mr Bruce Wasserstein and Mr Joseph Perella made their names as the most aggressive of the takeover experts who have helped to reshape corporate America in the 1980s. They will have to be treated with respect, as Nomura is well aware. "They (Nomura) have grabbed the tiger by the tail. Can they hang on?" asked one US banker in Tokyo yesterday.

With net profits last year of US$2.13bn, Nomura can, of course, stand to lose $100m. But there is more than money at stake in this venture. Japanese financial companies' record in handling non-Japanese executives – especially entrepreneurial merchant bankers – is patchy. It will now be put to the test.

The origins of the venture on the American side are quite recent. After five years of dramatic growth, Wall Street shuddered to a halt when the market crashed last October. The fall in stock prices, compounded by a decline in volume forced companies to cut their costs to match the drop in revenues.

At First Boston, Mr Wasserstein and Mr Perella had co-starred in Wall Street's most successful mergers and acquisitions department which had seen revenues soar from $4m in 1977 to $365m last year. But only 170 of First Boston's 5,500 staff were in corporate finance. When Mr Wasserstein and Mr Perella argued after the crash that the firm had to concentrate more of its resources on M&A they were out-voted. In February they quit and founded Wasserstein and Perella. Several key First Boston corporate finance specialists followed them. Within weeks, Wasserstein, Perella was doing deals. Among the $19bn worth of deals it has been involved in since was the $6.6bn acquisition of Federated Department Stores by Campeau.

From Nomura's point of view, the roots of the agreement are older. They date back to the early 1980s when Japanese financial companies' expansion abroad changed from the odd lightning strike into an invasion funded by the country's rapidly-accumulating current account surpluses.

Most Japanese financial companies built their foreign operations from scratch. Those who were tempted to do otherwise carefully studied the deal between Sumitomo Bank, one of the most innovative of Japanese banks, and Goldman Sachs. This has proved a less than smooth operation for the Japanese partner since the Federal Reserve placed a raft of severe restrictions on the deal because of the strict separation of commercial and investment banking under US law. Among the limits placed on Sumitomo was a ban on its workers being trained by Goldman Sachs, a key rationale for the venture for Sumitomo.

Nomura, meanwhile, poured resources abroad, aiming to be a fully-fledged securities company in New York and London and elsewhere. "We don't want to be a Japanese restaurant in New York serving only sushi and sukiyaki," said a Nomura man last year. "We want to serve French cuisine, American fast food – everything."

In government securities it acquired membership of the inner circle – primarily dealerships in New York in 1986 and in London a few weeks ago

But in corporate relationships it remained just as much an outsider as American companies are in Japan. It required something more and feels it has found it in Wasserstein, Perella. Waxing lyrical about the tie-up, Mr Yochi Fukushima, an executive vice president, said the agreement had grown from mutual needs "like a marriage".

Nomura's interest looks more like a one-off payment for Wasserstein, Perella's investment banking knowhow than an investment to profit from the firm's future earnings and fees. In effect, it seems to be paying a handsome price for an educational institution which will provide its Japanese future executives with invaluable experience in US and international mergers. The obstacles which confronted Sumitomo do not apply because Nomura is already recognised as an investment banking firm in the US.

This very aspect of the deal probably made it more attractive to Messrs Perella and Wasserstein. They left First Boston because they wished to be their own bosses and to avoid the personality conflicts involved in the management of a large firm. Given that Nomura's main interest is probably to learn from them, and not merely to profit from their transactions, they should now have the advantages of operating with access to a virtually limitless pool of capital, without the constraints of working for a big firm. Mr Wasserstein stressed yesterday that Nomura will have no involvement in the daily operations of his firm.

The access to capital for future merchant banking operations is of key importance. The two Americans were said to be somewhat frustrated by a shortage of their own capital to invest in bridging loans, leveraged buyouts and other transactions. Although they had already raised $500m from institutional investors for a leveraged buyout fund, they have a target of at least $1bn in mind.

Despite these advantages, the new partners have much to overcome in learning to work together. They must find a way to avoid the cultural tensions which have plagued some other Japanese financial companies' dealings with non-Japanese companies and executives.

Language, culture and nationality apart, Nomura is a 60-year-old company with 10,000 staff. Its strength is in moving huge amounts of stock through the Tokyo market, earning its profits from the efforts of salesmen, traders and accounts clerks in 155 offices. A Tokyo banker said: "Nomura is the bureaucratic machine to end all bureaucratic machines."

By contrast, Wasserstein Perella has 40 executives, formed around a tightly-knit core of people. It will be a lesson for them to learn to rely sometimes on Nomura.

There is little doubt in Tokyo that international mergers and acquisitions are a potential goldmine. Japan has to invest abroad and corporate acquisitions are expected to absorb a growing amount of those funds.

The US has so far been the biggest target. But Nomura said European companies would figure prominently in Japanese sights as companies increasingly feel they have to acquire a presence inside the European Community in advance of 1992. The fear is that the creation of a free internal market from that date will be matched by a raising of external barriers.

For Japanese companies the emphasis will continue to be on striking friendly agreements. Which is exactly what Nomura and Wasserstein, Perella have in mind for themselves.

BOOK REVIEW

Winning with capitalism

POPULAR CAPITALISM
By John Redwood
Routledge, £25

It is a curious fact, as John Redwood recognises, that the 1979 Conservative Party manifesto gave no hint of the wave of privatisations to come. That first term was largely taken up with policies such as trade union reform, while privatisation was largely limited to council house sales. To begin with, in fact, the sale of public sector shareholdings was not much more than a leftover Denis Healey idea aimed at massaging down the public sector borrowing requirement through sales of British Petroleum shares and some cosmetic accountancy. But then the penny dropped.

In 1983, starting a second term, the Conservative administration decided to launch a £5bn-a-year privatisation programme. The first major step was the flotation of British Telecom in the autumn of 1984, when the Government stumbled on the popular appeal of a giveaway offer which created instant profits for millions.

Out of this hit-or-miss policy development John Redwood fashions his concept of "popular capitalism." Governments should set a framework for trade, he says, but should not seek to own businesses. "Governments have confused the role of arbiter with the role of owner, director and manager."

Yet he suggests that popular capitalism embraces far more than just privatisation. It is a package that takes in deregulation, plus the breaking up of monopolies, together with policies for stimulating small business and generally increasing personal incentives through tax reforms. This hybrid philosophy "is simply the most powerful political idea on offer to this generation."

There are some puzzles here, for plainly the UK Government has not followed these principles faithfully. For instance, it launched British Gas as a monopoly in 1986, a move that predictably has brought regulatory problems in its wake. Its efforts to inject competition into telecommunications have been half-hearted. Its taste for a free market solution has stopped short of an open market sale of the Rover Group.

No matter, for Redwood has a much grander theme. Everywhere Marxism and socialism are on the run, with the centrally planned economies facing decay, and with the Soviet Union dramatically seeking structural change, if not yet anything its leaders would like to call capitalism. The Third World, too, is suffocating under the burden of debt and corruption, and is open to change – as the author knows from personal experience. After his period as head of the No 10 Policy Unit, Redwood had a spell with N.M. Rothschild's overseas privatisation unit, where he advised governments in countries such as Jamaica and New Zealand.

Now Redwood is a Conservative MP, and it shows. This is much more of a political work than an exercise in economic analysis. In general, for example, he recommends foreign direct investment as a route to privatisation. But the political view predominates. Thus the decision by a brave Canadian Government to sell its aircraft company De Havilland to Boeing is criticised by Redwood as a "political infelicity."

The book is inelegantly written, and is patchily researched. For instance, it brackets together the Herstatt and Continental Illinois collapses even though they were 10 years apart. The date of the British Gas share sale is wrong. But what the book more seriously suffers from is a lack of longer term perspective. The ideas of encouraging market forces and private ownership are scarcely new, but go back at least to Adam Smith. So why is capitalism at last in the ascendancy, and why do concepts that were in the doghouse in the 1930s now seem fresh and exciting?

Redwood rightly sneers at the "Morrisonian public corporation" which was Britain's intellectual export to the Third World in the 1950s. It was a formula which encouraged political interference and patronage, while fostering bureaucracy and inefficiency. But it was also based upon ideals of fairness and public spirit, and was a response to the failures and excesses of pre-war capitalism.

Perhaps there is a difference in that "popular capitalism" is today based upon much higher average levels of consumption and wealth. This is capitalism for the many rather than the few. But it is still not for the majority. The social strains inherent in the growing inequality of after-tax income and wealth cannot be ignored, and will quickly intensify if capitalism ceases to deliver the goods in economic terms.

Moreover, much of the appeal of the privatisation programme in the UK has been based upon a fairly crude appeal to people's greed. Instant profits were built into most of the share issues, notably by restricting the allocations to the UK institutions. The background was a long bull market which drew more and more investors into equities. But the October 1987 crash left many punters severely bruised.

"The essence of popular capitalism lies in rejuvenating the cult of the equity," says Redwood. "The 1990s will be the decade of the international equity." Let us hope he is right about this and much else. But although he manages to brush aside the stock market crash in two passing references, the problem of the historical lack of stability of capitalism cannot be so easily ignored. Capitalism is durable, but its popularity can be transient.

Barry Riley

OBSERVER

Free trade runs out

■ The Trade Policy Research Centre is preparing to close at the end of this year, but is also working on a survival plan. A decision will be taken in October on which way to go.

The Centre has accumulated liabilities of around £500,000 and an annual budget of about £600,000. Hitherto its bank has been indulgent about the deficit because of the company names associated with the Centre's activities. They include Unilever and Shell and a string of others. But it was made clear earlier in the year that something must be done. "If we had been a private company, we would have gone into liquidation long ago," said Hugh Corbet, the Director.

Corbet, a former journalist, set up the Centre 20 years ago along with the late Professor Harry G Johnson. The problem, he says, is that it has never had any endowments and that British companies only want to put up money for projects, not for running costs. The Centre was advised 10 years ago to spend £50,000 a year on employing a development officer who would eventually pay for himself by raising funds, but it never had the money to pay one. There has never even been the odd £2,000 to buy a fax.

Help may be at hand through a development report prepared by a planning officer of BAT Industries whom the company provided on secondment. Patrick Sheehy, the BAT chairman, is a member of the Centre's Council.

The chairman of the Council is Sir Kenneth Durham, formerly head of Unilever, now of Woolworth. Among others who are being helpful are Sir Ian MacGregor, the old boss at British Steel, and Sir Ronald Halstead, though both largely in a private capacity. Yet those British companies which come to the rescue in the past say that they can no longer bale out the Centre alone. New supporters must be found in Europe, the US and perhaps Japan.

No other centre in the world does quite the same work. There is the Institute for International Economics in Washington, but it concentrates more on financial and monetary, rather than trade, policy. "We are a cross between a lobby and a think tank," said Corbet yesterday.

If the Centre does go, this will coincide with the mid-term review of the GATT round on which it has had a considerable influence. Some of the proposals currently on the GATT agenda first came from the Centre's premises – next to Dr Johnson's house in Gough Square.

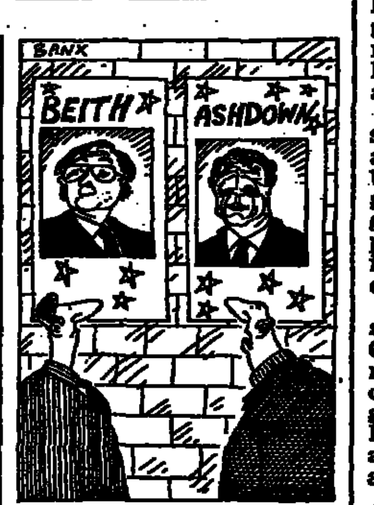
Wrong time

■ Either St Paul's has it wrong, or some of us are very unobservant – which would be unbecoming in this space. An official at the Cathedral said yesterday that the clock stopped nearly two weeks ago. We only noticed it on Tuesday. Anyway there are assurances that it will start again in mid-August.

New perks

■ Home Matters, a company which undertakes household chores in central London, is seeking to enter the world of business perks. It wants firms to offer the service to their staff.

Present services include cleaning, ironing, shopping, general errands and looking after your house while you are away. The annual personal subscription is £100, or you can pay £65 for six months. Services are charged on top: for example, errands at £7 per hour.



"Once the leadership's settled they can start openly fighting each other."

Companies will be offered the subscriptions at a discount. It will be up to them to decide whether they pay for the services as well or leave that to their employees.

"It's a sort of mollycoddling perk," said Candy Bowman, who runs the service. "It's psychological, to show that the company cares about the quality of life at home. Someone is always needing somebody to collect their granny from the station, or whatever."

This being central London in 1988, the main problem must be finding the staff in the service sector. "You have to be in the network," said Bowman. "People come to us wanting part-timework – a lot of people from a theatrical background."

Other companies specialise: for instance, in babysitting. So far as one can tell Home Matters, which has been going for 21 months, is the only one to offer a near universal service.

Some relief

■ Barlow Clowes investors have at least something to be grateful for: they have just missed a rout in the gilt markets that could have cost them as much as £1m.

Investors in the UK fund should be particularly relieved: almost all of the £54m in the UK part of the investment group found its way into UK government securities; compared to just £2m of the £138m invested in the Gibraltar end of the operation.

Gilts have been under pressure since June. Barlow Clowes liquidators, conveniently appointed at the end of May, cashed in whatever gilts they found. The money has been nestling snugly in a money market deposit account ever since

Overwriting

■ The Times one had a correspondent in Balkans called Bourchier. He was very distinguished, but his stories tended to arrive too late and too long. One day he overdid it from Crete.

The foreign manager cabled back: "An average copy of The Times contains about 160,000 words, and if you send us 1,400 words on Crete you are proposing to take up 1/115th of our space for that insignificant island, whose entire population is only 1/136th of even the British Isles and 1/540th of the British Empire. These mathematical calculations will, I know, be insuperably difficult to your Cambridge mind, but the net result may be intelligible."

The story is retold in Louis Heren's Memories of Times Past published by Hamish Hamilton today.

Very chic

■ Seen on a Suzuki Jeep in London's Berkeley Square: "Please don't lean on me. I might roll over on you."

ECONOMIC VIEWPOINT

House prices and interest rates

By Samuel Brittan

Why does the control of inflation in the UK *seem* to require a much higher level of interest rates than other European countries, above all West Germany?

Many people would suspect that these differences have something to do with the housing market in the two countries. Tim Congdon of Shearson Lehmann, who has examined some relevant data in a Note for the House of Commons Treasury Committee, has shown that the typical UK mortgage holder has experienced a capital gain on his house exceeding the mortgage rate in 10 out of the last 20 years, even before allowing for tax relief on mortgage interest. In Germany this has happened in only four of the last 20 years; and in the 1980s German house prices have been rising at a rate 5 percentage points behind the cost of borrowing.

There is clearly something to explain. For mortgage interest relief is available in most countries, including Germany, where it gives rise to very little public debate. I am afraid that Congdon's own explanation, which is that the UK's higher inflation rate has made the tax concession more valuable, is not too convincing either. In the accompanying chart the real increase in house prices — that is the increase in house prices minus the general consumer price index — has been plotted both for the UK and for Germany. It will be seen that British house prices have both been far more volatile and risen much faster, even after allowing for inflation. In the last ten years the cumulative compound real increase in average British house prices has been over 40 per cent, while in Germany it has been scarcely 11 per cent.

In a world without capital controls, interest rates are inextricably linked, whether Britain is in or out of the EMS

The differences are surely structural and demographic in origin — a high rate of household formation in Britain compared to a prospective population decline in Germany, a country which also has a functioning rental sector. British housing demand has interacted with mortgage interest relief, tight planning controls and financial liberalisation. The whole process has degenerated into a speculative bubble in which unwise people rush to buy houses before their prices rise even further.

Congdon's main purpose, however, is to use the high level of credit demand, mainly originating in the mortgage market, as an argument against British membership of the EMS. His point is that a credible fixed exchange rate against Germany requires interest rates to be the same in the two countries, while the difference in credit demand requires much higher interest rates in the UK.

Congdon and others like him are describing an ideal EMS, verging on full monetary union, not the EMS as it actually is. French short-term interest rates are 2¼ percentage points above German ones and the differential has often been higher — reflecting not so much fading exchange controls, but very much more the realignment risk. If the UK were to join the EMS tomorrow, British interest rates would still be above German rates and the gap would not close until the D-Mark link acquired 100 per cent credibility.

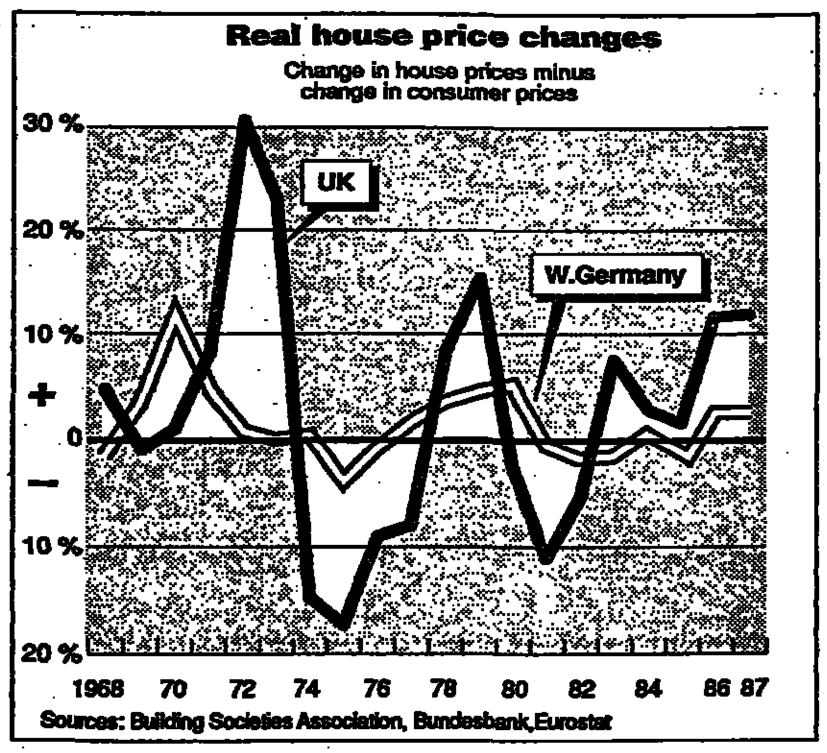
The more important fact is that, in a world without capital controls, international interest rates are inextricably linked, whether Britain is inside or outside the EMS. The only way that Britain can have nominal interest rates 5 per cent higher than Germany is if sterling is expected to fall by 5 per cent per annum against the D-Mark. This follows from the "interest rate parity theorem", rightly cited by Congdon himself.

A 5 per cent prospective fall in sterling over the next 12 months might be necessary and desirable if the pound rises to untenable levels. But as a continuing process it would be associated with just that long-term upward jerk in the inflation rate which the insular monetarists profess to fear.

The true inferences from German and British experience are rather different. Manufacturing costs in the two countries have been rising at very similar rates. But prices of domestically produced services, in which housing plays a part, have been rising faster in the UK.

Faced with this discrepancy we can, as I argued last week, settle for roughly stable prices in internationally traded goods and a stable rate against the D-Mark. This would imply a trend increase in consumer prices of perhaps a little over 3 per cent per annum — less than experienced by Japan during its period of productivity miracle.

Alternatively we can try to achieve literally zero inflation. This might imply a trend fall in manufacturing prices of about 3 per cent per annum and a trend rise in sterling against the D-Mark of about the same rate. This is an inference which a member of a different sect of monetarists, Professor Patrick Minford, wrongly chides me for not seeing. In that case British nominal interest rates would have to be on average *below* rather than above German rates.



Sources: Building Societies Association, Bundesbank, Eurostat

As for real interest rates: there are powerful forces tending to bring them together internationally (provided that the deflator is an index of internationally traded products rather than the conventional RPI). The only way to hold real interest rates in different countries apart is by the very exchange and capital controls which the monetarists profess to abhor.

Thus we cannot for long sustain higher real interest rates in the UK than in other major centres; and differences in nominal rates are tightly constrained by inflation objectives. What then are we to do if the demand for mortgage credit is much higher in the UK than other parts of the European Community? While pondering this question I came across the Richard Ely Lecture given by Professor Alan Blinder and reprinted in the May 1988 American Economic Review. Blinder is discussing why states such as New Jersey and Massachusetts have had a major boom, with unemployment falling from basket case to showcase levels in eight years. The explanation is of particular interest as the next president is likely to be the present Governor of Massachusetts. One reason is to do with openness.

"Each state of the union is a small open economy with fixed exchange rates and no trade barriers *vis-a-vis* the others. It can, therefore, acquire the goods its citizens demand at more or less fixed prices in the huge national market. That is why textiles, shoes, refrigerators, and automobiles cost no more in New Jersey and Massachusetts than in the other 48 states. Non-traded goods are a different matter. Housing prices in the Boston and Princeton areas (indeed, in all the suburbs of New York), for example, are legendary. Were these states closed to trade with the rest of the country, their inflation rates would undoubtedly be much higher."

Suppose, however, there were a Massachusetts dollar. There would be papers by Boston financial analysts saying that soaring house prices in their city made it impossible to link their currency to the US dollar. In the US as it actually is, the Fed aims at low inflation for the whole union. If residential property prices rise particularly fast in a state or region, the local authorities can either attempt direct measures via the tax and planning system or accept that market forces are driving home prices upwards both relative to other goods and services, and relative to home prices in the rest of the US. Setting up an independent Boston Fed with its own currency would not prevent these relativity changes, which reflect real rather than monetary forces. But it would superimpose upon them periods of overvaluation when the local economic miracle would be threatened by lost competitiveness and periods of undervaluation when it would be threatened by imported inflation — not a course ever contemplated by Governor Dukakis.

* * *

Similar issues are raised by an analysis of European monetary union by Gavyn Davies in the Goldman Sachs International Economics Analyst.

He fears, however, that it would be difficult to sell to, say, French or British electorates a European central bank built around the core of the Bundesbank. But does he not see that the whole point of the project is to wrap up in politically acceptable terms a European currency which is essentially an extension of the D-Mark? So long as the Bundesbank stands its ground, we have little need to worry.

Davies's other objection is that the loss of the right to devalue would be a genuine loss because of wage rigidities. He suggests that unemployment in North East England could have been ameliorated by a devalued Newcastle pound. Perhaps an unexpected Newcastle devaluation might have had a one-shot effect in reducing real and nominal wages relative to the rest of the UK. But a devaluation creates no real resources, and introduces information and volatility costs. It is of no benefit in the longer run in which most of us are still alive.

When it comes to the achievements of the EMS, Davies falls back on by now familiar debating points. First, inflation fell faster in the UK. That is because the inflation rate was so high — 16.6 per cent — in the 1973-80 base period chosen. It had, therefore, much further to fall. A similar fall in the German inflation rate would have taken it to almost *minus* 6 per cent.

Davies also claims that there were lower unemployment costs in the UK in getting inflation down. His own figures show that both actual unemployment and its increase (compared with the 1970s) were higher in the UK than in the EMS. It is just that the rise seemed more effective in reducing inflation, because the latter had that much further to fall.

Period averages conceal a great deal. The *fall* in British inflation rates was greater than the fall in the French rate. The *actual* French inflation rate is now 2.5 per cent. The UK rate is now 4.6 per cent and not getting lower. Yet the Thatcherites are allowed a monopoly of counter-inflationary virtue in their campaign against the EMS. Have a good holiday.

LOMBARD

The dumping inquisition

By Martin Wolf

"WE SEE the injury (to European Community industry) but can't find the dumping margins and we ask why." So said a Community official in response to the tenfold increase in imports of microwave ovens from the Republic of Korea between 1985 and 1987. An undervalued exchange rate, officials complain, makes it hard to prove dumping. So, if dumping cannot be found, that proves not its absence but the subtlety of the cheating. With its belief that the appearance of innocence proves guilt, the EC has embraced the logic of the Inquisition.

In anti-dumping the European Commission has found the perfect instrument for the imposition of discriminatory protection. What makes it particularly satisfactory is that anti-dumping is presented as a remedy for — rather than an addition to — market distortions. With anti-dumping, it is argued, trade becomes not less free, but more fair.

What is the economic rationale for anti-dumping? It is that the consumer will be exploited through higher prices, once competition has been driven out. Such predatory dumping has, however, rarely been discovered.

In any case, the practice of anti-dumping belies the argument. If one were looking for predation, one would want to know whether the dumping in question could, in practice, produce a global monopoly. Wherever there are many firms, that is most improbable. Even if only Japanese firms were to survive, competition would be unlikely to disappear. Consider the example of the camera industry, now dominated by Japanese producers. Does it really operate as a *predatory monopoly*?

The concern about predation is camouflage. If policy-makers wanted to save us from the high prices consequent on predatory pricing, they would find ways of prosecuting exporters for charging *higher* prices than in their domestic markets. Unsurprisingly, there is no such action.

After all, the EC and its member countries are, through the imposition of voluntary export restraints in key industries like cars and textiles and clothing, enthusiastic sponsors of predatory cartel arrangements. The EC did, it is true, object to the semi-conductor pact between the US and Japan, but the objection appears to have been rather to the lack of consultation than to the higher prices. Certainly, the main concern in EC anti-dumping policy is the effects of low prices on producers now, not of possibly higher prices on consumers in future.

The issue that remains is "fairness." But how many businessmen are there who have never charged a different price for the same product in two different markets? Indeed, how many EC firms now export to the Far East or the US at the prices they charge at home.

The computation of dumping is also problematic. For example, according to EC practice products sold at the same range of prices as in the home market and bearing the same costs can be held to be dumped. Again, certain costs allowed in the domestic price are not allowed in the export price, increasing the likelihood that dumping will be found.

With the recent extension of anti-dumping to "screwdriver plants," the EC may have gone too far even in terms of the permissive Gatt code. At least, the Japanese Government seems determined to take this procedure to the Gatt. But the whole approach needs to be questioned, since the legality of a protectionist procedure does not make it desirable. After all, between 1980 and 1985 the average ad valorem equivalent of definitive anti-dumping measures was as high as 23 per cent.

Anti-dumping is simply a better protectionist mousetrap. It combines an apparently unimpeachable rationale for *protection with highly opaque* procedures. Recent cases against Japan and now Korea are examples of protection against successful competitors that have the "unfair" ability to produce products that European consumers want at prices with which European producers cannot compete. Thus anti-dumping, the rationale of which is the prevention of exploitation of the consumer, actively promotes it. It is time to call a protectionist spade a spade and halt the anti-dumping inquisition.

LETTERS

Hong Kong 'freedoms' should be codified

From Mr T.W. Brown.

Sir, While those concerned at the future of Hong Kong will welcome the recent news of Sir Geoffrey Howe's criticism, made in the House of Commons, of the first draft of the Hong Kong Basic Law (July 16), they will draw little comfort from the affirmations of Communist Chinese "good faith" which were voiced in the debate.

The uncomforting reality so far is that even the presence of 23 distinguished figures from Hong Kong — they included Sir Y.K. Pao, Mr Li Ka-Shing, Mr David Li and the tireless Mr Martin Lee — on the Basic Law drafting committee was not sufficient to prevent the issue of a document highly unsatisfactory in its hedging of the personal and political freedoms which it defines woefully inadequately. The present colonial administration can exercise, theoretically, draconian powers over the people of Hong Kong, but restraint in the exercise of these powers means that in practice Hong Kongers have enjoyed a far wider degree of civil liberty than people in Communist China.

It is because there is so little faith in Communist China's restraint in the use of authority that it is absolutely vital that the freedoms currently enjoyed in practice are formally written into a watertight constitution, which constitution could only be amended with the consent of a directly elected legislature.

While the British Government is entirely to blame for the present lack of representative government and democracy in Hong Kong (which makes it quite likely that in 1997 Hong Kong will be ruled by Peking appointees who, under the present draft of the Basic Law, could only hold Chinese passports to be eligible for their posts), it is disheartening to see that the 1984 Joint Declaration promise of the right of final adjudication in the Hong Kong courts has also faded with the proposed mechanism to "consult" Peking. In any case, precisely how the Hong Kong courts could be supposed to maintain the English common law system, but interpret a Basic Law which only officially exists in Chinese, is in itself a problem.

Of course Sir Geoffrey is right to say that it is in Peking's interest to get the Basic Law right, as it should not be forgotten that Hong Kong's 5.5m people generate more foreign trade than China's present 1bn population. The recent procession of Peking's leaders touring Hong Kong has provided ample evidence that China's leaders are mesmerised by the territory's success, modernity and wealth; but the Basic Law leaves the unfortunate impression that this is believed to be attributable to monetary and fiscal theory, with the unnecessary incorporation of balanced budgets and low taxation into the Basic Law, rather than to the broader framework of individual rights and freedoms.

However, having neglected codification of many rights and freedoms in Hong Kong for so long, the British Government is in a weak position to urge this on the Communist Chinese now. No wonder they feel able to discourse — in a strongly nationalist, anti-colonial tone — on Hong Kong being "occupied" by Britain, and its return "fulfilling the long-cherished common aspiration of the entire Chinese people for the recovery of Hong Kong". Such sentiments do not reassure the millions of Hong Kongers whose families, within living memory, fled China.

Thomas Brown,
Flat 2,
47 Kempsford Gardens, SW5

Naval building is piecemeal

From Mr Michael Chichester.

Sir, The implications of the government decision to order three Type 23 frigates for Yarrow Shipbuilders (FT report, July 12) foresees a further rationalisation of the British warship building industry.

The recent all-party House of Commons Defence Committee report on the future size and role of the Royal Navy's surface fleet convincingly explained the need for an increased level of destroyer and frigate orders for the next few years if the Government's often-stated policy of maintaining a force of "about 50" of these is to be implemented.

If the Government's intentions in this matter are sincere it should publish a long term naval building programme, allocate funds each year for its continuation — irrespective of the size of the annual defence budget — and give ample notice of the dates by which competitive tenders for the next batch of orders should be submitted.

The present system of piecemeal orders contrasts sharply with the readiness of the Government to pledge far larger sums for participation in costly new aircraft programmes such as the Tornado.

The case of Swan Hunter displays the departmentalised short-sightedness which so often mars official support for industrial policy. Here is a company created by the application of all those economic principles which the present Government holds dear: privatisation by management buy-out; improved productivity through better labour relations; the ending of shipyard demarcation practices and the adoption of fixed annual holidays. Its reward is lack of orders, an uncertain future, and the prospect of 700 redundancies unless more work is forthcoming by the end of the year.

Ministers claim savings of between £11m-£20m by ordering from one yard. But the costs to the Exchequer — and to the regional economy — of creating redundancies in the north east of England will be almost as heavy, long term.

A fourth frigate order would have avoided this damage. Is the Whitehall machinery incapable of the inter-departmental co-operation necessary to achieve such a common-sense solution?

Michael Chichester,
The Mead House,
Taynton,
Burford, Oxfordshire

Industry has some lessons for the NHS

From Mr John Woodthorpe.

Sir, There is not really much wrong with health care economics in Britain that a little more money cannot solve. The question is where to spend it — and should the National Health Service (NHS) or the private sector do so?

If this Government really believes in market forces, it should be able to answer both questions. Approaches long practised by industry, used to coping with market pressures, will help. Hospitals have high fixed costs; essentially staff but also building and equipment costs. Consequently unused capacity is cheap, in both the NHS and private medicine. Filling all existing capacity is therefore the first step.

If staff shortages, not beds, are the constraint, the NHS should pay locally what it takes to attract staff — that is, let market forces rule. National pay body awards should be increased where necessary by local allowances decided locally, and complete freedom given to regions, if not to districts, to pay other "bottle neck" staff such as cooks, technicians, medical secretaries and records clerks what it takes to retain them. In addition, districts should be free to buy excess capacity from the private sector wherever it is available and cheaper than their own long range marginal costs.

New capacity should be added where waiting lists are longest, productivity is highest (which would also counter the rare, devious consultant who increases the waiting list to attract more funds), and long range marginal costs are lowest. If the private sector can fill the market vacuum more cheaply, so be it; let the NHS enter into planning agreements to buy capacity from them. The Treasury should be quite happy that national rather than NHS or private sector interests have been best served.

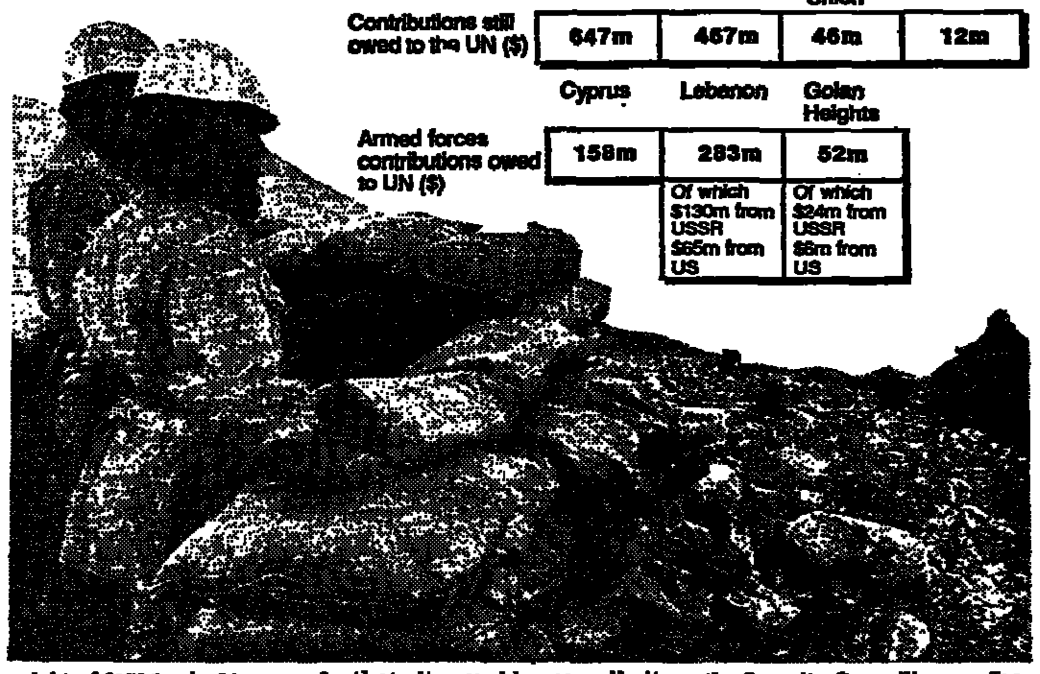
Having tackled these immediate questions, the NHS will be free to concentrate on the real issue: quality control. Industry has lessons to pass on here too, but it may take market forces again — such as *competition for patients'* choice — before all members of the medical profession take them seriously.

John Woodthorpe,
54 Eaton Place, SW1

FINANCIAL TIMES
Thursday July 28 1988

Fighting for world peace on a shoestring

Our UN Correspondent highlights the United Nations' battle against bankruptcy



	Total	US	Soviet Union	Iran
Contributions still owed to the UN ($)	647m	467m	46m	12m

	Cyprus	Lebanon	Golan Heights
Armed forces contributions owed to UN ($)	158m	283m	52m
		Of which $130m from USSR $65m from US	Of which $24m from USSR $6m from US

UNITED Nations military officers and their political advisers hoped to reach Tehran last Sunday to start working out the details of a UN-supervised ceasefire between Iran and Iraq. They actually got there on Tuesday. "We don't have the kind of facilities to enable a mission to move much faster," UN spokesman Mr François Giuliani explained in New York.

The UN team, headed by Norwegian Lt-Gen Martin Vadset, had to take a circuitous route by commercial airlines because the world body, unlike the poorest member-government, does not have its own aircraft. Neither does it have much money.

Based on past experience, the financial prospects for UN peacekeeping in the Gulf are far from encouraging. Not one of the existing operations in the Middle East and Cyprus is debt-free.

It is an irony that just as the UN appears more effective on the international crisis stage than at any time in its history, it not only lacks the funds to underpin its peace-keeping successes but also does not know how it will be able to pay next year's bills and salaries.

Moves towards a brokered peace in the Gulf, Afghanistan and Indochina hinge on UN peacekeeping forces. Each of these breakthroughs constitutes some form of success for US regional foreign policy; yet it is the US which is the most reluctant to meet its financial commitments to the UN.

Assessed contributions owed for the UN Interim Force in Lebanon were $282.94m at the latest account. Arrears for the UN Emergency Force in the Middle East and the UN Disengagement Force in the Golan Heights amounted to $52.28m, while the voluntarily-funded UN Force in Cyprus has run up a debt of $158.1m in 24 years of peacekeeping.

As for the regular UN budget, arrears on assessed contributions at the end of June stood at $647m, almost $447m of which is owed by the US, which has also failed to pay another $70.41m for past peacekeeping operations.

Levels of contribution for members of the 159-nation organisation are assessed at rates ranging from 0.01 per cent for the poorest countries, to 25 per cent for the richest - the US.

The Americans have refused to pay their full assessments in recent years in an attempt to press the UN to change its budgetary procedures, reduce its staff and raise efficiency.

The Soviet Union used to be the biggest UN debtor until Moscow announced last year that it would pay all its arrears. There was a still substantial Soviet debt on the UN books at the end of June, however, including more than $129m owed for peacekeeping in the Lebanon.

It costs about $60m a month to maintain the UN in New York and Mr Javier Perez de Cuellar, the Secretary-General, has already raised the spectre of suspending operations if, as he fears it will, the UN runs out of money, possibly as early as October.

Mr de Cuellar has cried wolf before and nothing happened. No one believes he will close down the UN, even for a day, but as the crisis deepens there could be payless paydays and involuntary furloughs for the 8,000 staff.

Just three days before Iran announced it was accepting the Security Council's ceasefire Resolution 598, the Secretary-General made another trip to Washington to try to get President Reagan to release sorely-needed funds. The journey was fruitless.

The President said the changes instituted by the UN were still insufficient to justify his recommending Congress to free even the $44m already authorised for payment to the world body this year but so far withheld.

The Vadset mission to Tehran and Baghdad, due to report to the Secretary-General early next week, will enable him to determine the extent of the UN operation he must set up to supervise a Gulf ceasefire. He has already estimated that the UN will need about 250 military observers, which some diplomats feel is a modest number to police a 700-mile land border and maintain peace in the air and at sea.

Officials estimate that the cost of the operation would be between $10m and $20m a year. After an appeal by Mr de Cuellar, the Japanese Government promised a special donation last April of $20m - $10m for the UN operation in Afghanistan and the other half for his Gulf peace efforts.

Still, there is "extreme concern that the financial capacities of the organisation will be strained to the limit," a UN spokesman said this week.

There is talk of reconvening the General Assembly next month to consider how to relieve the financial crisis, including a possibility that members might be asked to make long-term, interest-free loans to the UN.

Dedicated supporters of the organisation - Canada and the Nordic countries and such wealthy states as Japan and West Germany - are considered the likeliest prospects.

Despite the UN's involvement in so many peacemaking efforts at the same time, including its success in Afghanistan and the prospect of breakthroughs not only in the Gulf but also in Namibia and Kampuchea, there is still a limited constituency of American supporters.

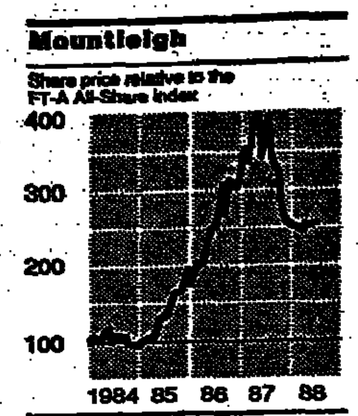
Officials hope that this may change. Lt-Gen Vernon Walters, the US representative, foresees what he termed "a better and more effective UN" with a much improved public image.

The US delegate, who is an admirer of the Secretary-General, called him this week "one of the great statesmen of our time." There was no public reaction from Mr de Cuellar to this praise, but an official remarked: "We'd rather see some cash."

THE LEX COLUMN

Cashing in the golden shares

The markets' reaction to yesterday's economic data seemed stolid, but was in fact a complex of opposing forces: UK trade numbers bad, US GNP good, German interest rate policy confusing. But in the UK at least, the absence of economic data over the next couple of weeks may allow the market to contemplate 10.5 per cent base rates with more equanimity.



Amersham

The Government's seemingly unilateral decision to cancel Amersham's golden share is an interesting refinement of policy. Plainly, the principle is not being abandoned; British Steel, for instance, is to have its own golden share when it comes to the market. But there is evidently a distinction between companies which deserve temporary shelter, and those whose ownership is a matter of national security. Thus, Jaguar and Enterprise are to be left to their own devices when their golden shares expire; but Rolls Royce, as a defence contractor, will next year be open to takeover from within the UK, but not elsewhere.

As for Amersham's shares, the 6 per cent jump on the news looks positively modest. A hostile bidder would have to assemble 10 per cent of the votes to call an egm, and then secure a 75 per cent majority to allow holdings above 15 per cent. But this is not impossible, particularly since the institutions would not thereby be assenting to a bid, but only to the principle of a bid being permissible.

There is no question that Amersham would be a toothsome morsel, not only for ICI or Fisons in the UK, but for an overseas competitor like Abbott. Indeed, there is the plain suggestion that the company lacks the depth of finance andmanagement fully to exploit its flair for innovation. At 470p – £235m in total – the multiple is under 15, which counts as dirt cheap in the world of pharmaceuticals. The golden share having served its turn, it will be surprising if Amersham stays independent for long.

Midland Bank

For once, Midland's figures hold no nasty surprises. Indeed, a 10 per cent rise in the interim dividend, plus a reasonably conservative approach to provisioning for the group's £4.5bn of loans to troubled countries, underlines the steady if slow recovery in its fortunes. Admittedly, with £1.5bn of new equity under its belt and a buoyant domestic market, anything less than a 25 per cent growth in underlying profits would have been disappointing; and a £61m jump in investment banking profits plus a £14m drop in domestic provisions has cushioned a reasonably lacklustre performance by the group's core UK banking business.

However, Midland is not alone in finding that its UK retail banking margins are coming under pressure, and although its operating costs remain unusually high, its cost ratios are beginning to move in the right direction. With the Crocker problems fading into history, and a much healthier capital base, the new management team can no longer be forgiven for failing to attack the group's long festering problems, such as the miserable performance of Thomas Cook. However, the shares are trading on a premium multiple of 6 times prospective earnings, implying that the recovery prospects have been fully discounted for the moment.

Nomura

There can be few start–up businesses in the financial services industry to match the heady performance of Wasserstein, Perella & Co. In less than six months, the former masterminds of First Boston's M & A department have advised on over $19bn of acquisitions, raised $500m from investors anxious to gamble on their so-called merchant banking skills, and have now persuaded one of the world's wealthiest financial institutions to buy a one fifth stake in a company without a financial track record. In crude terms, Nomura's investment puts a price tag on the brains of Messrs Wasserstein and Perella of $250m apiece.

Even by Wall Street standards this kind of valuation seem pretty inflated, given that First Boston itself is only valued at $1.2bn. However, Nomura can easily afford to treat the investment as mere pin-money, and there is always an outside chance that it will develop into a long and happy relationship, without embarrassing conflicts of interest. That said, Wasserstein, Perella is the real winner. It has satisfied its urgent need for new capital and acquired access to an alternative client list, with the result that if it does alienate corporate America, it has other sources of business to fall back on.

Mountleigh

Forecasting any trader's profits is always more luck than science: deal-making is a delicate business, not to be governed by a date on the financial calendar. Nonetheless, Mountleigh would have done well to tell the City that it had deferred some deals from last year to this, and why. Confidence in the group is fragile at best, and yesterday's £10m to £15m profits shortfall was enough to weaken the already depressed shares by a further 7 per cent.

If Mountleigh were more of a developer and less of a trader, yesterday's 26 per cent discount to net asset value would definitely make the shares look cheap. But as long as development remains more an intention than a reality, earnings growth will count for more than increasing the asset base; news of 6.6 per cent growth in earnings per share last year did little to restore that lost senszxof excitement, and writing down the afflicted Storehouse stake by £12.3m was another unwelcome reminder. The medium term future, though, should be a different story, as Mr Tony Clegg learns to add value to properties by his own efforts as a developer rather than through the effect of a rising market. The scale of his development ambitions may be enormous, but when the market eventually turns, they will be essential.

UN chief to raise hostages issue

By Andrew Gowers, Middle East Editor, in London

MR Javier Perez de Cuellar, the UN Secretary-General, said yesterday he would raise the question of Western hostages held by pro-Iranian groups in Lebanon in his talks on a Gulf ceasefire this week with the Iranian Foreign Minister.

He said the hostages, hopes for whose release have been raised by recent signs of a rapprochement between the US and Iran, were a "parallel" issue to the ceasefire talks, and added:

"I think they (the Iranians) may exercise their positive influence in order to have this problem out of the way, both for political and humanitarian reasons."

His remarks, implying that Iran now regarded the hostages as an obstacle to better relations with the West, followed an offer from Iran on Tuesday to use its influence to secure their release in exchange for a move by Washington to unfreeze Iranian assets held in the US.

The Reagan Administration was careful not to rule out continuing dialogue on issues including the hostages, but made clear there was question of a deal with Iran.

After talks yesterday with Mr Tariq Aziz, Iraqi Foreign Minister, Mr Perez de Cuellar said he believed Iran and Iraq were seriously interested in ending the war.

But Mr Aziz, speaking after the meeting, rehearsed Iraq's continuing differences with Iran and said Baghdad would not be "stampeded to reach or make a hasty step." He reiterated Iraq's demand for direct talks with Mr Ali Akbar Velayati, the Iranian Foreign Minister, on a peace settlement as distinct from a ceasefire.

Mr Velayati is also in New York for separate talks with Mr Perez de Cuellar. Iran wants the Secretary-General to establish a speedy ceasefire.

But there is a risk that Iraq's demand could become a sticking point in UN peace moves over the next few days.

As the talks got underway, heavy fighting continued inside Iran, with Iranian opposition fighters pressing the offensive they launched on Tuesday against western population centres.

Carlucci hints on peacekeeping force, Page 4

Computer networks group established

By Hugo Dixon in London

EIGHT of the world's largest information technology companies have set up a group to hasten the advent of a single open market worldwide for network management systems.

These systems manage computer networks, making sure they run efficiently and alerting operators to faults when they break down.

With the growing complexity of computer networks, such systems have increasingly become central to the whole of the data communications business. By supplying them, the information technology companies are opening a route into the rest of the data communications market. Companies involved in the new grouping include AT&T and Unisys of the US, along with British Telecom.

The market in network management systems – which is estimated to be worth hundreds of millions of dollars a year – has been fragmented, with each company producing its own proprietary product. There are no common standards.

The new group – called OSI/Network Management Forum and based in New Jersey, was unveiled at press conferences in London, New York and Toronto yesterday. It maintains that this lack of standards puts a burden on customers. This is because customers are either locked into buying systems from a single supplier or waste money buying several systems.

The group's aim is to unify the market, so parts of a system can be bought from several suppliers, within two years. It says its activities will not compete with those of other international organisations developing common standards in this area, as it will be concerned with the swift implementation of standards on the basis of a unified approach, rather than with developing its own standards.

Neither IBM nor Digital Equipment, both of the US and respectively the world's largest and second largest computer companies, have joined the group, although they had been invited. Similarly, no Japanese manufacturer has joined.

Mr Brian Hewat, a director of Telecom Canada, one of the members of the group, said, however, that the group had an open-door policy on membership. "The more members we have, the more successful we stand to be," he said.

The other members of the new group are: Amdahl and Hewlett-Packard of the US, Northern Telecom and Telecom Canada of Canada and STC.

US may accept Soviet role in Gulf

By Our Foreign Staff

THE US might be prepared to go along with Soviet participation in a United Nations peacekeeping force in the Gulf in spite of its traditional opposition to Soviet influence in the region, Mr Frank Carlucci, US Defence Secretary said yesterday.

Mr Carlucci, who goes to Moscow next week, also said the Soviet Union had told the US that it wanted Vietnam to withdraw from Kampuchea, a process Vietnam says will be completed by March 1990.

In an interview with Reuters and the international television news agency Visnews, Mr Carlucci said US allies in the Gulf supported Washington's view that western navies should keep protecting shipping in the strategic oil lanes until a ceasefire wa agreed.

Asked whether Moscow could play a peacekeeping role he said: "While the conflict was going on, we saw no need to bring the Soviet Union into the Gulf.

"What kind of role they might be prepared to play in peacekeeping is something that would have to be developed by the UN secretary general."

"We continue to be opposed to Soviet influence - but at the same time we want to be as supportive as possible of the secretary general," he said.

Mr Carlucci said the US would be willing to join a multinational peacekeeping force but that this could pose problems, given the tense state of Iranian-American relations.

● UN Secretary General Javier Perez de Cuellar recommended on Wednesday another six-month extension for the UN Interim Force in Lebanon (Unifil) while expressing dissatisfaction over the continued presence of Israeli troops in southern Lebanon.

US-Brazil clash over patents

Continued from Page 1

medical sc.ence being created in the developed world.

The implicit, although unstated, suggestion is that Brazil must have its own industry for national security reasons. Humanitarian need, the argument runs, is a higher priority than the niceties of ownership where matters as crucial as health are concerned.

"There are no restrictions on foreign companies. They can sell in our market with the minimum of formalities," a Foreign Ministry official emphasised with undisguised indignation.

Such arguments, however, are likely to cut little ice with Washington. The increasingly urgent worldwide drive by the US to consolidate intellectual property rights has already scored successes in this field in South Korea and, more recently, Chile.

There is an additional problem. Whereas in the case of computers, the Section 301 action was initiated by the Federal Government itself, for pharmaceuticals the running is being made by the less flexible PMA – an industry body that carries real weight in Congressional lobbies.

Moreover, worried foreign manufacturers fear that if a clear example is not made for medicines, Brazil's vocal nationalists will push for new protectionist laws for the fine or intermediate chemicals sector.

Calming the ruffled feathers of both sides may prove difficult. Brazil yesterday made a ritual protest in Geneva at the Uruguay round of talks under Gatt. But no formal complaint can be made until US retaliation is in place.

That is unlikely to happen before the end of September, when hearings should be completed on which products will face tariff walls (Brazil's powerful footwear and motor vehicle exporters look likely targets).

Meanwhile, the visit next month by Mr George Shultz, US Secretary of State, will provide a first opportunity to test the ground for compromise. Unless President Jose Sarney feels the need to establish his nationalist credentials at the expense of domestic export industries – not impossible in the light of forthcoming elections – there will surely have to be a compromise.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	28	82	Dubrovnik	S	32	90	Malta	S	33	91	Rhodes	S	28	82
Algiers	S	29	84	Edinburgh	F	16	61	Manchester	C	16	61	Rio de J'o	C	20	68
Amsterdam	C	22	72	Faro	S	31	88	Manila	C	31	88	Rome	F	37	98
Athens	C	34	93	Florence	S	33	91	Melbourne	C	15	59	Salzburg	F	23	73
Bahrain	F	40	104	Frankfurt	F	21	70	Mexico City	F	25	77	San Francisco	F	23	73
Bangkok	F	36	97	Funchal	F	23	73	Miami	R	30	86	Seoul	C	26	79
Barcelona	S	29	84	Geneva	F	35	95	Milan	S	30	86	Singapore	C	32	90
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Thatcher attacks Delors

Continued from Page 1

those who talked about economic and monetary union should do what Britain had done to remove controls on capital movements, where Britain was "streets ahead" of most other EC countries.

There were no circumstances, she maintained, in which she would agree to the ceding of the vast majority of social and economic decisions to the Community. She again rejected the creation of a European central bank, which "means that you have to surrender any fundamental economic decisions to another country. That I will not do."

The British Premier also defended the decision not to reappoint Lord Cockfield, who is 70, for another four-year term as a European Commissioner, for reasons of his age. It was, she said, a chance for another person to take his work forward. While Lord Cockfield had done a "very very good job", his replacement, Mr Leon Brittan, a former Conservative Cabinet minister under Mrs Thatcher, was "extremely able"

INTERNATIONAL APPOINTMENTS

Apollo chief appointed as Honeywell Bull president

HONEYWELL Bull, the information systems company, has appointed Mr Roland Pampel, 53, president and chief executive officer. He joins the company from Apollo Computer where he was president and chief operating officer.

Mr Pampel succeeds Mr Jerome Meyer who will rejoin Honeywell Inc in Minneapolis as president of the industrial automation and controls business.

Mr Jacques Stern, chairman of Honeywell Bull and chairman and chief executive of Groupe Bull, said Mr Pampel was chosen because of his management experience in the computer industry and for his leadership in bringing technologies to the market, particularly in distributed systems and networking.

Mr Pampel has more than 25 years of technical and marketing experience, beginning with International Business Machines where he became general manager and laboratory director of the corporation's Kingston New York facility and managed the initial development of IBM's Systems Network Architecture.

In 1982 he joined Prime Computer where he was vice president of research and development. He then worked for AT&T as vice president, technology and marketing, and rose to president and chief operating officer in 1987.

Honeywell Bull was formed in March 1987 by Bull of France, Honeywell of the US and NEC of Japan.

★ ★ ★

WANG Laboratories, the US computer system manufacturer, has appointed Mr Eugene Bullis, who is senior vice president, treasurer and corporate controller, to the additional position of chief financial officer.

Mr Bullis succeeds Mr Harry Chou, who remains vice chairman of the board and assumes the chairmanship of a newly created finance committee of the board.

Kaiser Steel creates new top position

KAISER Steel has appointed Mr Richard Stoddard to the new position of chief executive. He is currently managing director of the Denver firm of Roath & Brega.

Kaiser Steel has been operating under the protection of the US Bankruptcy Court, District of Colorado, since filing for reorganisation under Chapter 11 in February 1987. A joint plan of reorganisation was filed with the Bankruptcy Court in March 1988.

The company said Mr Stoddard had extensive experience of working with employee and retiree-owned companies.

Mr Stoddard's appointment has been approved by Kaiser Steel's board and its Official Unsecured Creditors' Committee.

Mr Bruce Hendry will continue to serve as president and chairman of Kaiser Steel until confirmation of the reorganisation plan. Upon confirmation, Mr Hendry will resign both positions but will remain as one of nine members of the board of the reorganised Kaiser Holdings, as proposed.

★ ★ ★

DEROSE Industries has announced the resignation of Mr Victor DeRose, chairman and chief executive.

The company said Mr Keith Finley, president and chief operating officer, has taken on the additional responsibilities of chairman and chief executive.

NatSemi promotes business executive

CALIFORNIA-based National Semiconductor, which designs, manufactures and markets advance proprietary semiconductor and systems products, has promoted Mr Lawrence Ludgus to vice president, business development, corporate finance.

Mr Ludgus, 49, will handle acquisition, divestiture and partnership structuring and negotiations for the corporation.

He previously served as vice president, business development, for the company's semiconductor group, with responsibility for structuring and negotiations for technology partnerships.

He managed the structuring of agreements between National Semiconductor and the French and Israeli governments.

Having joined National Semiconductor 11 years ago as manager of tax research and planning, Mr Ludgus has since held positions within the company as director, external programmes, for the semiconductor group and as the company's international counsel.

Koppers moves after Beazer takeover

BEAZER'S Koppers affiliate has named Mr Thomas Howard as chairman and chief executive and Mr Frederick Moore as president and chief operating officer. It has also appointed Mr Roy Turner executive vice president.

Mr Howard and Mr Turner are chief executive officer and chief financial officer, respectively, of Beazer's Gifford-Hill unit. Mr Moore was formerly a vice president at Koppers. Mr Howard replaces Mr Charles Pullin, while Mr Moore replaces Mr Glen Tenley, both of whom resigned.

Beazer recently acquired Koppers for $1.81bn through its BNS affiliate.

★ ★ ★

CUMMINS Engine, the US diesel engine and component manufacturer, has named Mr Peter Hamilton vice president and chief financial officer with effect from August 1.

Mr Hamilton is currently vice president, law and treasury, and he succeeds Mr John Hackett who is taking early retirement.

★ ★ ★

GENESCO, US apparel and footwear producer, announced that Mr Larry Shelton, executive vice president in charge of its Greif tailored clothing business, has been promoted to president and chief operating officer.

These posts had been held by Mr William Wire II, who retains his other roles of chairman and chief executive.

Mr William Dragon Jr has resigned as an executive vice president and also as president of Genesco's Footwear Group to pursue other interests.

★ ★ ★

NATIONAL Intergroup, has announced the resignation of William Tauscher, chairman of its Foxmeyer subsidiary and vice chairman and a director of the parent company. Mr Tauscher has left to pursue other business interests.

Mr Laurence Farley will succeed Tauscher as chairman of Foxmeyer, a distribution and drug wholesale subsidiary.

Mr Farley continues as executive vice president and chief financial officer of National Intergroup, which has interests in steel, energy and other areas, in addition to Foxmeyer.

★ ★ ★

CAMPBELL SOUP has appointed Mr David Clark chairman and Mr John Cassaday president.

Mr R.G. McGovern, the former chairman, remains as a director of the company.

Finance Director
(designate)

to £37,500 + car etc
Bucks

Our client, HAYDEN LABORATORIES LTD is located in Chalfont, St Peter a very pleasant part of the county and its principal activities include the *Marketing, Sales and Distribution of* high quality electronic equipment. To take account of several years of successful growth and profits, the Company now wishes to recruit, for the first time, a business minded financial executive to this key position.

Reporting to and working closely with the Managing Director, the appointee will be totally responsible *for the full accounting and finance* functions and in addition, participate as part of a small, but highly committed commercial team and therefore have a natural enthusiasm *and ability to make a positive* contribution to the continuing success of the Company.

Mature and experienced applicants, 35 years plus, must be Chartered Accountants, enjoying challenge, responsibility and capable *of making impact at an early stage.* They must be creative, highly adaptable and prepared to get involved as well as being the prime *source of advice and support to* the Managing Director.

In addition to a competitive salary and car etc the successful applicant can look forward to a rewarding and *progressive career in an exciting and* expanding environment.

Candidates interested should write enclosing a full CV including salary history and quoting reference MCS/7233 to:
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Executive Selection Division
Price Waterhouse
Management Consultants
No. 1 London Bridge
London SE1 9QL

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Applicants should be qualified accountants aged 28-37 with a sound record of achievement within a large commercially orientated manufacturing/industrial organisation. The technical competence and personal standing to deal independently at a senior level is essential. Location West London. Relocation assistance is available where appropriate.

Please reply in confidence quoting Ref: EI37 to:

Adrian B. Edgell
Mason & Nurse Associates
5a Station Road, Egham,
Surrey TW20 8QB. Tel: 0784-71255
Offices in London, Birmingham and Egham

Mason & Nurse
Selection & Search

DIVISIONAL CONTROLLER
CITY — **£35,000 + Bonus + Car**

Commercially strong accountant with exposure to manufacturing sector sought by expanding world-wide consumer goods group. Age 28-38, ACCA/ACMA, you must be computer-orientated and ready for an early financial directorship. Ref: JH1258

FINANCIAL CONTROL MANAGER
CITY — **to £34,000 + Bank Benefits**

Leading US investment bank seeks a qualified accountant aged 27-35, with experience of international banking, to take responsibility for the accounting and reporting function and to provide quality management information. Ref: HK1265

PROJECT MANAGER
CITY — **c£30,000 + Bank Benefits**

An analytical accountant, aged 28-33, with proven experience of problem-solving is sought for an internal consultancy role within a highly respected UK merchant bank. Broad exposure to be gained of entire banking operations. Ref: SA1260

GROUP FINANCIAL CONTROLLER
SE1 — **£28,000 + Car**

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GROUP MANAGEMENT ACCOUNTANT
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Prestigious UK merchant bank requires a qualifed accountant, aged 25-32, to assume responsibility for management and statutory reporting and the provision of regular and ad hoc information to directors and senior management. Ref: HK1262

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To be considered for these or other similar opportunities please write to or telephone:

Management Personnel
25 City Road, LONDON EC1Y 1AA
Telephone 01 256 5041 (24 hours)

Management Personnel
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Telephone 01 408 1694 (24 hours)

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Interested candidates should write enclosing comprehensive C.V. and daytime telephone number, quoting ref: 250 to Peter Williamson, Whitehead Rice, 295 Regent Street, London W1R 8JH. Tel: 01-637 8736.

Whitehead Rice
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If you think that you have the qualities we are looking for please write in confidence, enclosing a cv, current salary details and daytime telephone number to Geoffrey Rutland ACA ATII at 8 St Bride Street, London EC4A 4DA, *quoting reference 1554, or telephone him on 01-583 3303 (office) or* 01-878 8395 (home).

BinderHamlyn
MANAGEMENT CONSULTANTS

Group Financial Accountant

Leisure
London
c£30,000
plus car
and superb
benefits

Our client is one of the leading leisure companies in the UK. It has outstanding growth and profit records, and a current turnover of some £230m. It operates from a number of bases in the UK and throughout the Mediterranean.

The continued organic growth and aggressive *acquisition policy has meant* that a further senior accountant is now needed. The Group Financial Accountant will supervise a team of thirty and will be responsible for all financial accounting matters: half yearly and yearly statutory accounts, debtor and creditor control and analyses, cash and treasury *control, and close* working relationships with the two senior management accountants.

You should be a qualified accountant in your thirties, with two or three years commercial experience. Knowledge of systems development work and *product orientated* costing systems mean that you will probably have had exposure to a manufacturing environment. You should have excellent interpersonal skills and enjoy working in a fast-moving environment where the product is an immediately perishable one.

Please reply in confidence, giving concise career and salary details and a daytime telephone number, and quoting reference 1557 to:
Geoffrey Rutland ACA ATII, Executive Recruitment Division, Binder Hamlyn *Management Consultants, 8 St Bride Street, London EC4A 4DA,* or call him on 01-583 3303 (office) or 01-878 8395 (home).

BinderHamlyn
MANAGEMENT CONSULTANTS

FINANCE DIRECTOR

City c£45,000 + car

Our client is the UK subsidiary group of an expanding European business with operations in transportation and related services, including shipping. To strengthen its small corporate head office team the Group seeks to recruit a commercially minded finance executive.

Reporting to the UK Managing Director, the Finance Director will be responsible for all financial affairs and will advise the Board on the Group's financial strategy. This will encompass:

- Treasury management, including review of alternative sources of finance and management of the Group's currency exposures.
- Financial evaluation of acquisition projects and major capital projects.
- Involvement in strategic business planning, tax planning and participate generally in the development of the business.
- Review of accounting systems and financial performance throughout the Group.

Candidates must be qualified accountants, able to demonstrate a successful career to date, which will have included exposure to the financial reporting requirements of an international group. You must be a practical, tough-minded and resilient manager with the enthusiasm to make a strong constructive contribution to the strategic development of the Group. An ability to take an overview of both operational and strategic activities is essential.

Please write in confidence, enclosing full career details, quoting reference M6416 to Anne Routledge.

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Applicants should be professionally qualified accountants who can demonstrate significant career progress in a manufacturing/f.m.c.g. environment or a major Finance House. Experience of international operations and/or acquisitions and mergers will be advantageous as will evidence of the ability to establish positive and successful relations with subsidiaries within a PLC.

Strong commercial awareness is essential, as is an outgoing and resourceful personality which allies diplomacy to a firm sense of purpose.

The remuneration package is negotiable and assistance will be given for relocation to an attractive part of the West Country.

Please send full career details, in confidence, quoting reference C8508 to Mike Blanckenhagen.

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You will be a qualified Accountant or MBA with relevant experience gained in a commercial, highly disciplined environment. You will also be self-confident but tactful, a good communicator and possess strong powers of persuasion.

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It is likely that the person appointed will possess a legal or accounting qualification and may have gained experience in either corporate finance, venture capital or specialist banking. A knowledge of investment products would obviously be an advantage but more important are problem solving and communications skills and the ability to deal with a high volume, complex workload accurately and promptly. The work will be varied and demanding and you will have the support of a Technical Assistant.

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Michael Thompson, Managing Director, John Sears and Associates, 2 Queen Anne's Gate Buildings, Dartmouth Street, London, SW1H 9BP or telephone him on 01-222-7733.

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Deputy controller

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Résumés, with daytime telephone number please, to Chris Haworth, ref CH960.

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London — to £30,000 plus profit share + car

Our client is a leading, international property development, investment and management Group which has experienced consistent growth in the last decade. A systems accountant is now required to join the senior *accounting team* based at the Group's head office in central London.

This is a new appointment with responsibility for the specification, implementation and update of computerised and manual accounting systems, with some involvement in Group consolidation. It will necessitate considerable liaison with a wide range of users and with data processing staff. The position calls for a young, personable chartered or certified accountant with post qualification commercial experience as a user of computerised systems and with involvement in accounting systems design.

This is a key role within the organisation and presents an opportunity to make a very real contribution to the effectiveness of the accounting function.

Please write in confidence with full career details, quoting ref. 4282 to Rosalba De Lisi.

KPMG Peat Marwick McLintock

Executive Selection and Search
70 Fleet Street, London EC4Y 1EU

Accountant
Entertainment Industry

West London + Overseas travel — £28,000 plus

On behalf of our client in the entertainment industry we are looking for an accountant to take control of the entire accounting function of a group of businesses related to an internationally famous pop group. The job will be concerned with many activities, personal and corporate, including tours, recording contracts and royalties.

A young, energetic qualified accountant, aged 25 – 30 will find this to be a first class opportunity to gain valuable experience within a specific industry which could ultimately offer excellent career development prospects.

Please send a hand-written covering letter and CV to Mr N. W. Jarman or Mr. R. N. Collier quoting reference number AA/L.

MOORES & ROWLAND

Clifford's Inn,
Fetter Lane,
London, EC4 1AS.

MOORES & ROWLAND MANAGEMENT ADVISORY SERVICES LIMITED
A MEMBER OF MOORES ROWLAND INTERNATIONAL

Computer Audit Management

International Banking

Hong Kong

Tax paid salary plus expatriate benefits

HongkongBank, one of the world's leading international banks, requires an experienced executive to fill the position of Assistant Manager Computer Audit in its Hong Kong Head Office. This is an exceptional career opportunity with responsibilities covering the audit of the Group's 250+ EDP systems and 100+ installations throughout the world.

Advanced and progressive systems in use and under development, including electronic banking and global telecommunications network, provide a challenging working environment. Principal functions of the Computer Audit Division are as follows:

- Monitoring of systems under development and advising on control implications.
- Auditing installations and systems.
- Development of audit software and integrated audit programmes.

The Assistant Manager will be involved in the day-to-day running of the division, and will manage complex audit assignments and systems reviews which could involve up to 25% travel overseas, mainly in the Asia Pacific region.

Candidates should demonstrate a high level of technical expertise as well as having well developed audit skills. Knowledge of banking applications will be a distinct advantage as will familiarity with IBM mainframe and mini computers.

The preferred candidate is likely to be a qualified chartered accountant with computer audit experience, or else have a professional qualification in computing and a background in computer consultancy or systems design. Essential personal qualities must include excellent communication skills and proven management ability.

The salary will be paid in HK$ in the range HK$ 29,000-35,000 per month tax paid, and benefits include free furnished accommodation, gratuity, a housing loan in your home country, children's education allowance, and six weeks annual leave with travel package.

Please apply by 9th August with full C.V. and recent photograph to:-

International Recruitment Officer,
The HongkongBank Group
99 Bishopsgate,
London EC2P 2LA.

HongkongBank
The Hongkong and Shanghai Banking Corporation

stoddard sekers

GROUP FINANCIAL DIRECTOR — DESIGNATE

Glasgow Area £50k package + car

Following recent major acquisitions, Stoddard-Sekers International plc, a profitable Group with £60m sales, is seeking to appoint a Group Financial Director — Designate. The group manufactures premium and luxury furnishings and other consumer products in various locations in the UK.

The person appointed will initially report to the Group Financial Director and it is envisaged will have the capacity to take over from him within a year.

The successful candidate will be responsible for a broad range of Group financial matters including management information and control, treasury, EDP, taxation and budgets. The person will also be expected to contribute significantly to the Group's strategic direction, and will be actively involved in the financial assessment of new ventures and possible acquisitions.

Applicants must be Chartered Accountants with several years senior management experience gained from within manufacturing industry.

In addition to high technical competence and excellent interpersonal skills, they must have the commercial awareness necessary to make an early contribution to the continued expansion of the Group. Experience in the control of European subsidiaries would also be an advantage.

In return, a comprehensive remuneration package is offered including profit sharing and share options plus other benefits associated with a progressive Group.

Please write in the strictest confidence giving concise career, personal and salary details, quoting reference G316 to GRAHAM PRIMROSE.

KPMG Peat Marwick McLintock

Executive Selection and Search
24 Blythswood Square, Glasgow G2 4QS.

Chief Executive
Hallamshire Investments

Sheffield — package c. £50,000

Newly established by a group of leading local industrialists, Hallamshire Investments is an exciting venture which is designed to complement the various regeneration initiatives which are taking place in and around the City of Sheffield. Modelled along the lines of the Local Development Banks which have proved so successful in the USA, and fully supported by the City Council, the company will identify and invest in a series of profitable property and redevelopment projects.

We are now seeking an experienced Chief Executive to establish the organisation, initiate and manage the growing investment portfolio and, responding to the Board, take overall responsibility for the performance of the company.

Candidates will be expected to have an in-depth knowledge of commercial and industrial property, be fully conversant with the sources and evaluation of project funding and have appropriate personal qualities to represent the company's interests at the highest level in the financial and local communities. A successful track record is a mandatory requirement for this post and whilst young, able executives may see this as a prime opportunity to make a name for themselves, it would also appeal to the senior Board-level executive who is seeking a final career move.

The remuneration package is expected to consist of a substantial salary, executive car, share options and all usual benefits. To apply please send a comprehensive CV, together with salary history, stating clearly what contribution you could make to this venture.

Alternatively, request an application form from the company's adviser, Ross Monro (ref. 2490/RM/FT).

All replies will be treated in strict confidence.

PA

PA Personnel Services

Executive Recruitment · Human Resource Consultancy

PA Personnel Services, 13–19 St Paul's Street, Leeds LS1 2JG
Tel: 0532 424220

Young Chief Accountant

West Middlesex

to £24,000

Our client is a small but important subsidiary of a major British group and holds a leading position in its sector of the aviation industry.

They wish to strengthen the finance function to meet the demands of the business and are seeking a high calibre qualified accountant for the new position of Chief Accountant. The responsibilities will be wide ranging and as well as managing the department, will include the production of accounts and management information, budgeting and systems development.

This is a first-class opportunity for a talented accountant, aged 27-30, with some previous commercial experience and a sound working knowledge of computer-based systems. It calls for the ability to work on your own initiative and contribute to the company's success.

A fully competitive salary and attractive range of benefits are offered.

Please send concise details, including current salary and daytime telephone number, quoting reference N2028, to W.S. Gilliland, Executive Selection Division, Grant Thornton Management Consultants Limited, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP.

Grant Thornton
Management Consultants

OFFICIAL SPONSOR OF THE 1988 BRITISH OLYMPIC TEAM

CORPORATE DEVELOPMENT

We are committed to developing and rationalising our international trading base and substantial funding is available for appropriate acquisitions.

A further Head Office appointment is to be made to the small corporate team which is dedicated to this work.

The key tasks are to search out and analyse business opportunities in the UK and overseas; to evaluate the effects of possible acquisitions; and to take part in negotiations with target companies.

Candidates will be well qualified, preferably Chartered Accountants or MBAs, essentially with relevant experience in M&A work or in closely related activities. They must also have the personal qualities which will enable them to have significant influence in the direction of corporate strategies. Salary will reflect experience, capability and the professional contribution. Other benefits include profit sharing, executive car and support for relocation to Nottingham.

Boots

The Boots Company PLC

Please write with details of your experience to:
Mr J L Muncey, Head of Central Personnel, The Boots Company PLC, Head Office, Nottingham NG2 3AA.

International Advertising Group

European Treasury Management

Central London **to £30,000 + Car**

An outstanding opportunity has arisen for a dynamic young ACA to create and manage the treasury function within the Headquarters of the largest marketing services group in Europe.

Along with being the world's largest single advertising agency, the group is also one of the leading players in the sales promotion, direct marketing and PR markets, operating in 13 European countries. The company's plans for further growth and continued success are second to none.

The role itself encompasses all aspects of treasury and cash management. Specifically this will cover FX, capitalisation and loan issues as well as cash flow management and dividend policy matters. Particular emphasis will be placed on the development of treasury reporting and information systems as well as the investment of surplus funds throughout Europe.

This excellent opportunity will be of interest to qualified accountants aged 27-32 with at least two years substantial treasury experience. You will also have gained, or be working towards, the ACT qualification. Probably in a number 2 position at present, you will be looking to further develop your considerable creative and technical skills in a dynamic and challenging environment where ability is substantially rewarded.

Interested candidates should write enclosing a comprehensive curriculum vitae and daytime telephone number to
Ken Brotherston, at Michael Page Partnership,
39-41 Parker Street, London WC2B 5LH,
quoting ref. B101.

MP

Michael Page Partnership
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

Financial Controller

South Bucks **c £32,000 + Bonus + Car**

Our client is the £11 million turnover subsidiary of a small group in the Data Communications industry and is specifically involved in the manufacturing, development, and sale of data communication equipment and systems. Following a management buy-out in 1986 the Group and this subsidiary has undergone a substantial turnaround in profitability and is currently enjoying 20% per annum growth which is anticipated to continue.

This growth and the development of a philosophy of divisionalised autonomy has generated the requirement for a highly commercial Financial Controller. Reporting to the Managing Director you will have a very wide responsibility in all commercial and financial matters affecting company performance. During the short transition period from central to divisional financial control, you will also have full scope to determine your organisational needs.

You will be a qualified accountant aged 32-40 with experience in a high value added manufacturing and development environment, with a project bias rather than high volume. Personal qualities will include excellent interpersonal and presentation skills, a participative style of management, and a creative approach to commercial issues and problem solving.

This presents an excellent opportunity to join the company as its first Financial Controller at a critical stage in its development and will lead to a Directorship in 18 months or so for the right individual.

Please submit your CV in application to:- Wayne Thomas, Executive Division, Michael Page Partnership,
Windsor Bridge House, 1 Brocas Street, Eton,
Berkshire SL4 6BW.

MP

Michael Page Partnership
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

GAZELEY PROPERTIES LTD.

ASDA GROUP PLC

Chief Accountant

North London **c £25,000 + Car**

Gazeley Properties is a wholly owned subsidiary of the £2.5 billion turnover Asda Group plc, one of the most successful retailing groups in recent years.

The property company is at the centre of the Group's ambitious development plans for over 80 new 'out of town' Asda and Allied superstores. In addition they will systematically seek out opportunities for a growing profit stream from property related activities. They are already a major force in the property market with significant plans to further increase their share of the market. Over the last 18 months growth has far exceeded expectations.

Following this recent activity an opportunity has now arisen for a bright, qualified accountant to join the Senior Management Team. Reporting directly to the Finance Director your responsibilities will be:

* preparation of strategic corporate plans.
* preparation of annual budgets.
* preparation of management and annual accounts.
* liaison with auditors.
* staff management.

A graduate, aged 26-35, you should be able to demonstrate a successful track record to date, ideally within a property development or investment environment. A positive, intelligent and practical approach combined with good communicative skills are the key characteristics required for this role.

Interested candidates should write to Richard Wright, Michael Page Partnership, Centurion House, 136-142 London Road, St Albans, Herts, AL1 1SA.

MP

Michael Page Partnership
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

Chief Accountant

(for subsidiary of multi-national group)

West End of London
c£29,000 plus car and bonus

A prestigious and diversified multi-national group requires a Chief Acountant for one of its main operating subsidiaries, which is dealing successfully in commodities, financial futures, shipping, and freight chartering.

The job will involve control of thirteen associated/subsidiary companies, encompassing statutory and monthly accounting, budgeting, and areas of corporate finance to include accounting for treasury activities and mergers and acquisitions. You will report to the Finance Director and have total responsibility for the accounts department.

A qualified accountant, you will need to be an adept staff-manager with several years' experience outside the profession. You will be required to communicate at all levels within the company, while remaining firmly in charge of a busy, youthful department.

Prior experience within commodity trading is not essential.

Please write, enclosing a full CV and salary details, quoting reference MCS/2021 to Christopher Bainton
Executive Selection Division
Price Waterhouse
Management Consultants
No. 1 London Bridge
London SE1 9QL

Price Waterhouse

THE HAMMERSON GROUP

PA to the Group Financial Director

£20,000-£25,000 pa

Following upon the recent appointment of the Group Financial Director and the forward plans for the development of the Hammerson Group, the third largest property group in the UK, they are now looking for a PA to the Group Financial Director.

He or she should ideally be newly qualified from a major firm and aged 24-26. He or she should have good analytical skills and will be responsible on behalf of the Group Financial Director for:-

a) Initially reviewing financing and funding proposals for mergers and acquisitions worldwide;

b) Special projects and management information.

Replies in confidence should be addressed to:

David Sheppard, Esq

DAVID SHEPPARD & PARTNERS LTD.
21 Cleveland Place,
London SW1Y 6RL Tel: 01-930 8786

who is retained as Consultant to the Hammerson Group

FINANCIAL CONTROLLER

SW London **C £24,000 + Car**

Progressive expanding Finance House specialising in the Leisure Industry has an opening for a Qualified Accountant. A background in computerised accounting systems would be particularly relevant as he/she will be responsible for the implementation of new computerised accounting and administration system with particular reference to current Bank of England reporting requirements.

A highly challenging and interesting job where team-work as well as self motivation is the key to a rewarding future.

Please apply in writing, enclosing a full c.v. to Mr W R Ruffler Jnr Lordsvale Finance PLC, 111/113 Wandsworth High Street SW18 4HY

APPOINTMENTS ADVERTISING

Appears every Wednesday and Thursday
for further information call 01-248 8000

Tessa Taylor ext 3351
Deirdre Venables ext 4177
Paul Maraviglia ext 4676
Elizabeth Rowan ext 3456
Patrick Williams ext 3694
Candida Raymond ext 4657

Stamp Duties Consultant

London
Up to £35,000
plus car

This is a unique opportunity for a tax lawyer or consultant with stamp duty experience.

You will work alongside a Principal Consultant with a wide knowledge of stamp duties legislation. You will enjoy a broad range of assignments, where the incidence of stamp duties may be a critical factor in a major business decision.

The work is high profile, exacting and 'up to the minute,' frequently involving complex negotiations and modern business thinking in the fields of:

- Acquisitions, mergers and take-overs
- Demergers and reorganisation
- Privatisation
- Transfers of business assets
- Capital market transactions.

You will have substantial contact with tax partners and consultants throughout the UK firm and will be involved in the marketing and development of this specialism through client meetings, seminars and training courses.

Career prospects are excellent both in this specialised area and in the wider spectrum of our vibrant tax practice. Outstanding candidates will have partnership prospects without the need to obtain further professional qualifications.

Please write, with brief CV, to:
John R Townend
National Tax Recruitment Manager
Price Waterhouse
32 London Bridge Street
London SE1 9SY

Price Waterhouse

Offices in: London, Aberdeen, Birmingham, Bristol, Cardiff, Edinburgh, Glasgow, Leeds, Leicester, Liverpool, Manchester, Middlesbrough, Newcastle, Nottingham, Southampton and Windsor. Associated firms in Ireland and the Channel Islands.

Senior Manager

Corporate Finance Division

£35k (with early review) + benefits *Central London*

My client is part of a substantial, privately owned international group who specialise in large scale property development and investment. They are now urgently seeking a high calibre executive with direct and recent experience of the UK property market and current business trends.

At a senior level, you'll negotiate funding with bankers and financial institutions on a world-wide basis, whilst also investigating and identifying promising assets for future acquisition.

Probably aged about 30, you should hold a Master's degree in an appropriate discipline, together with a broad based auditing, business, management and tax experience. Fairly extensive overseas travel is involved, sometimes at very short notice.

Salary will be reviewed after 6 months, when relocation assistance may also be available, and there are the usual large company benefits. Most importantly — you will be joining a group keen to recognise, reward and promote high achievers.

Please write in the first instance, enclosing full CV to Mary Hurley, PER, Rex House, 4-12 Regent Street, London SW1Y 4PP.

PER

Britain's Largest Executive Recruitment Consultancy

GROUP TREASURER

Manchester **£40,000 package**
Late 20's/early 30's **Exec car + benefits**

Coloroll is now the largest home fashion group in the UK - having established a prominent position in a number of market sectors. The recent successful bid for John Crowther has brought additional businesses into the Group and is expected to take turnover beyond £600 million p.a.

COLOROLL
WALLCOVERINGS HOME FURNISHINGS CERAMICS GLASSWARE

Coloroll's philosophy is to operate autonomous profit-responsible divisions linked to specific brand names, with a small team of key professionals at the Manchester headquarters. The explosive growth of the last 2/3 years now requires a Group Treasurer to join this team.

Your role will centre on liquidity management of an increasingly diverse range of companies. You will review, and as necessary improve, current systems for monitoring cash requirements - present and projected. You will keep a tight control over the Group's foreign currency exposure, hedging overseas assets as appropriate and overseeing all significant import/export transactions. You will take the lead in negotiating Group-wide funding facilities, researching new treasury instruments and maintaining banking relationships at the highest level.

You will be a high calibre, graduate/MBA professional, probably a qualified accountant, with sound experience in corporate treasury management. Your personal style will be alert, incisive, persuasive - with a 'presence' that carries weight in your external dealings. You will also have an eye for detail and an interest in utilising latest technology - including your own PC - in handling the complex data flows within a dynamic business.

Working within a sophisticated central unit, you will maintain a regular, advisory interface with senior excutives throughout the organisation. Success in this highly visible role will lead to unrivalled opportunities for personal growth and career progression.

Please apply to Dudley Harrop or Lawrence Barnett at our Manchester office quoting reference number MB95.

ASB
ASB RECRUITMENT LTD

Eagle Buildings, 64 Cross Street
Manchester M2 4JQ. Tel: 061-834 0618

Also at: Leeds and Liverpool

A Division of ASB Barnett Kinnings PLC

FINANCIAL DIRECTOR (DESIGNATE)

London **Attractive salary & benefits + car**

We are a high quality security and commercial printing company selling to both Uk and overseas markets.

The company is an autonomous subsidiary of a UK based plc.

Due to internal promotion the company requires a capable qualified accountant to become a Financial Director - a key member of the management team.

Reporting to the M.D. responsibilities will include overall control of the finance and costing functions and supervision of monthly management and statutory accounts produced to tight deadlines.

Qualified accountants should possess a successful track record in a manufacturing environment which should include development of computer based management information systems.

Working closely with the M.D. strong interpersonal skills should be backed by the maturity and commercial awareness necessary to make an early contribution to this expanding operation.

Please send C.V., marked 'Private & Confidential' to: Miss Veronica Wilson

The House of Questa

Parkhouse Street, London SE5 7TP Telephone 01-703 7162/3/4

S. G. Warburg Group plc

ASSISTANT COMPANY SECRETARY

City

An opportunity to join the Company Secretary's office of S. G. Warburg Group has arisen. The Group, one of the U.K.'s leading financial institutions, wishes to recruit an additional qualified Company Secretary to play a senior role in the many and varied responsibilities of the office.

The successful candidate must be able to communicate clearly and easily with senior management. The ability to assume responsibility quickly in a stimulating environment is important.

Career prospects are excellent.

Applications, enclosing a curriculum vitae, which will be treated in strict confidence, should be sent to:

Mrs A. J. Sprules,
Director,
S. G. Warburg Group Management Ltd,
1 Finsbury Avenue,
London EC2M 2PA

APPOINTMENTS ADVERTISING

Appears every Wednesday and Thursday

for further information call 01-248 8000

Tessa Taylor *ext 3351*
Deirdre Venables *ext 4177*
Paul Maraviglia *ext 4676*
Elizabeth Rowan *ext 3456*
Patrick Williams *ext 3694*
Candida Raymond *ext 4627*

Finance Director

Birmingham **c£25k + Bonus + Car**

Our Client is a young forceful subsidiary within a dynamic, aquisitive international group. This major subsidiary within the distribution division, is a market leader in the distribution of industrial consumables and equipment.

The Company now wish to recruit a Finance Director who, reporting to the Director and General Manager, will have complete responsibility for the finance and data processing functions. An early priority will be to continue the development of the management information systems. Additionally, the Finance Director will assist the Divisional Managing Director in the successful integration of all recent acquisitions as well as making a genuine contribution to all further acquisitions undertaken by the Division.

Candidates, aged 30+, should be qualified accountants who are stimulated by the challenge of playing a leading role in a highly commercial environment. Early promotion to Divisional Financial Director can be expected for the successful candidate who can demonstrate well developed man-management skills, good technical knowledge plus genuine commercial flair. The salary package will include provision of an executive car, private health care and a generous profit related bonus. Relocation expenses will be provided if necessary.

Interested candidates should write to:
Tony Hodgins ACA, Executive Division,
Michael Page Partnership, Bennetts Court,
6 Bennetts Hill, Birmingham B2 5ST,
enclosing a comprehensive Curriculum Vitae.

Michael Page Partnership
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

GROUP PLANNING — SYSTEMS MANAGER

Central London **Excellent Salary Package negotiable**

Our client is a rapidly growing multi-national plc with a turnover in excess of £600m. The areas of operational activity include leisure, textiles, agriculture and electronics.

The continuation of the growth and development experienced over the last five years has generated the need for expanded group planning and budgeting systems and reporting. The organisation is seeking to recruit an individual to manage the development and implementation of these enhancements.

The successful candidate will be a young qualified Accountant with good commercial experience of operational planning and a working knowledge of System W or similar software.

Career opportunities for the Group Planning — Systems Manager will include openings into either Senior Line Finance responsibilities or the Systems area.

The position, based in Central London, will attract a substantial salary package (dependent on experience), a company car and other benefits.

Interested individuals should contact Karen Wilson, BA, ACMA on 01-491 3431 (or 0895 633 429 during evenings/weekends), or write to her at FMS, 14 Cork Street, London W1X 1PF enclosing a recent CV and note of current salary.

F M S
Search and Selection Specialists
for
Financial Management

Group Financial Controller

£ Neg + bonus

West End + Overseas

Austin Knight is a privately owned British Advertising Group with a turnover of some £100 million worldwide. We are a dynamic, profit orientated company committed to further expansion with agencies throughout the UK, Europe, North America, Canada and Australia.

As Group Financial Controller, you will be formulating group reporting packages for this international network, preparing reports and annual consolidation of accounts, and carrying out periodic financial and operational audits within the UK and overseas.

This is a key role within the accounts function, reporting directly to the Finance Director. You will be expected to become fully involved with and make a significant contribution to the running of the organisation.

You should be a fully qualified Chartered Accountant, in your mid to late twenties, with a strong commercial outlook gained from your post-qualification experience and the ability to understand and use computerised systems. Most importantly, you will have a keen desire to move into a fast moving, successful business where your innovation, communication skills and decisiveness will be tested to the full.

The salary is negotiable and we offer a comprehensive benefits package as would be expected of an expanding international organisation.

Please write enclosing full C.V. and details of current salary to Bob Gunning, Austin Knight Selection, 17, St. Helen's Place, London EC3A 6AS, or 'phone him on 01-588 6452 (01-256 6925 evenings/weekends). Please quote Ref: 163/JRG/88.

Austin Knight Selection

CHIEF ACCOUNTANT

W.1. **£neg + benefits**

CHANCERY BANK the merchant banking division of Chancery PLC, has a newly created, challenging and rewarding role as a result of the significant organic growth of our Banking activities.

Reporting to the Finance Director, you will be expected to work to tight deadlines in a fast moving environment. Working with both PC and Minis, you will be responsible for:-

- Development and preparation of management accounts, Board Reports and Bank of England returns.
- Preparation of statutory accounts, VAT and other tax returns and computations.
- Maintenance of nominal ledgers and hire purchase/leasing accounting.

Rewards include n/c pension, permanent health insurance, WPA and share options.

You must be ACA or ACCA qualified and ideally have several years banking or financial service experience.

Please send your full cv, indicating present earnings, to:

Ms J I Standfield,
Group Resources Executive

CHANCERY PLC
14 Fitzhardinge Street, Manchester Square, London W1H 9PL

Managing Director

Sales/Marketing/Finance Background

Brussels **c£35,000 + car**

Our Client is a major subsidiary of a UK publicly quoted communications group. They are a young, dynamic, fast growing organisation with strong resources and a commitment to expansion via acquisition and organic development throughout Europe. They seek to appoint a Managing Director for their newly acquired Belgian company.

The key responsibility of the appointee will be to plan and manage the profitable expansion of the Belgian business through creative product development and vigorous marketing activity. Though reporting to the UK Managing Director, the position carries full management and profit accountability in what is an exciting growth area of the communications services sector.

The successful candidate will probably be aged 28-35 with a career background covering marketing, sales or general management. However, qualified accountants wishing to change career path will equally be considered provided they can demonstrate strong commercial business and marketing ability. The essential qualities for this appointment are outstanding communications skills backed by entrepreneural instincts, determination and self motivation.

The company offers an excellent salary and benefits package including bonus and share options.

Interested applicants should write to John Sheldrake enclosing full career details and telephone contact numbers at John Sheldrake Associates, Hall Keeper's House, 42 Castle Street, Cambridge CB3 0AJ. Telephone 0223 313791.

John Sheldrake Associates
Executive Selection & Search

FINANCE DIRECTORS

Modern Transport Management

London **£30,000 + Car**

One of Britain's largest transport operators is currently in the process of re-structuring into eleven separate business units. This is the first stage in a period of substantial change which will lead to the units becoming legal entities and ultimately independent from the parent, providing management buy-out potential. Each unit will have a turnover of around £30m employing up to 2,000 people.

The Finance Directors will play an important part in setting up and running these new businesses. Reporting to a Managing Director, the positions each carry responsibility for the financial control and management of a business unit together with the purchasing function. The emphasis will be on the development of appropriate information systems and the provision of financial advice on commercial options.

Candidates should be qualified accountants, probably aged between 30 and 45. You should have a track record of achievement, ideally spanning both large and small organisations. You will need the interpersonal skills and determination to manage change successfully.

Please reply in confidence with concise career, personal and salary details, quoting Ref: L359 to Heather Male.

Egor International Ltd., Metro House, 5th Floor, 58 St. James's Street, London SW1A 1LD. Tel: 01-629 8070.

EGOR EXECUTIVE SELECTION

Great Britain - Belgium - France - Germany - Italy - Portugal - Spain

Financial Controller

London SW1 **to £25,000**

Our client is a privately owned British Group with diversified European interests, centred in Portugal. The Group now has substantial investment plans for the development of its activities in the UK Hotel/Leisure industry.

The Financial Controller will play a key role in the evaluation of potential projects and the financial control of the UK operations. In addition you will have responsibility for Group Holding company accounts, cash management, budgeting and forecasting.

Ideally you will be a qualified accountant with two years' post qualification experience, gained within a commercial environment. Computer literacy and consolidation experience are essential, and knowledge of the Hotel industry would be advantageous.

Interested candidates should write enclosing a comprehensive curriculum vitae and daytime telephone number to Ken Brotherston, at Michael Page Partnership, 39-41 Parker Street, London WC2B 5LH, quoting ref. B102.

Michael Page Partnership
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

Accountancy Personnel

Placing Accountants First

CAREER OPPORTUNITY FOR RECENTLY QUALIFIED —SECURITIES INDUSTRY

CITY **TO £24,000+BONUS**

CONFIDENTIAL

The continued successful expansion of this leading International Securities trading company (offices in the UK, USA and Japan) has created an outstanding career opportunity for a young, ambitious qualified Accountant.

As Financial Accountant you will assume full responsibility for Balance Sheet Management and Financial Reporting with involvement in special projects and staff development. In addition to providing detailed exposure to the Securities Industry, this is an opportunity to develop your management skills within a fast moving City environment.

Applications are invited from recently qualified ACA's, particularly those with an interest in developing a Treasury function. Hands-on-knowledge of IBM/SYMPHONY will be an advantage. The compensation package will include a performance related bonus.

For further details contact:
Accountancy Personnel
9 Eastcheap
London EC3M 1BN
Tel: 01-626 0666

FINANCIAL CONTROLLER

CENTRAL LONDON **£24,000–£25,000+CAR**

CONFIDENTIAL

This highly successful pharmaceuticals and cosmetics company has an exciting vacancy for a dynamic young accountant. There are presently 4 companies in the group and your role will encompass financial and management accounts, acquisitions, system reviews, costing and deputising for the financial director in his absence.

You should be ACA/ACCA/FCMA qualified with around 2 years post-qualification experience, self-motivated, personable and computer-literate.

Prospects include progression to financial directorship and there are a number of benefits such as annual bonus, profit share, and BUPA.

Ref: J/C1271

For further details contact:
Accountancy Personnel
106 Baker St.
London W1M 1LA
Tel: 01-935 1493

COMMERCIAL CHALLENGE

SUSSEX **c£22,000+FX Car+RELOC**

CONFIDENTIAL

The impressive performance of this wholly owned subsidiary of a Multi National Plc, has supported it's growth by the utilisation of sophisticated manufacturing techniques.

Accordingly, it has become a recognised market leader in the competitive field of precision engineering, and can now offer a young recently qualified accountant a genuine commercial opportunity within its finance function.

So if your expertise includes sound man-management skills and a flair for costing systems development and you have some experience of investigative projects, please ring, or write in confidence to the address shown.

For further details contact:
Accountancy Personnel
40 The Broadway
Crawley, West Sussex.
RH10 1HG
Tel: 0293 551861

Hoggett Bowers

Executive Search and Selection Consultants

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FINANCIAL TIMES
COMPANIES & MARKETS
Thursday July 28 1988

INSIDE

Midland Bank thrives despite LDC debt

Midland Bank, third largest British clearing bank, has announced first-half pre-tax profits of £313m ($532m). Despite being hailed as the best result in several years, some fears remain over the bank's continuing burden of LDC debt. The bank's investment arm, Montagu Midland, posted a spectacular increase in the earnings of £63m compared with £2m. Page 20

Japanese drinkers go Dry

Japan's thirst for Asahi Breweries' new Dry Beer appears to be insatiable. Demand for the wonder brew outstrips production to such an extent that Asahi has forbidden its employees from buying it. But success doesn't necessarily lie in the brew's taste. Stefan Wagstyl reports on the rocketing success of Asahi's amibitious marketing strategy. Page 19

Scottish ewes raise a flock of interesting issues

A precious group of three Scottish ewes bred to produce human proteins heralds the advent of "transgenic" animals. This transfer of genes from other species has major implications for pharmaceuticals, farming and medical research but also raises important questions of animal well-being. Clive Cookson examines the rapidly evolving landscape of genetic engineering of mammals. Page 19

Zambia's riches keep foreign investors down on the farm

Rich in unused land, water and labour resources, Zambia has emerged as a favourite stamping ground for foreign companies eager to establish large, irrigated commercial farm projects. Its popularity defies the poor track record of grandiose agricultural schemes in Africa — so often the victim of unpredictable weather and equally unpredictable governments. Page 24

Changing chemistry at BASF

The flagship of BASF, the West German chemicals group, is its vast Ludwigshafen complex, which employs over 50,000 and makes over 6,000 different products. But this centralised nature of the company has left it with a staid, unexciting image compared with its other German rivals. Now, under the guidance of chairman Hans Albers (left), the chemistry of the slumbering giant is changing as new products, markets and even acquisitions are probed. Page 15

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (Dm)

Rises			
Henkel	470.5	+	2.5
Veba	251.7	+	1.7
Viag	224	+	1
Falls			
Nixdorf	434	−	7.2
BMW	505	−	6.5
R.W.E	229	−	4

PARIS (Frs)

Rises			
Sanofi	762	+	34
Pollet	515	+	15
Carnaud	430	+	12.5
Falls			
Colas	704	−	25
Avignon Dass	730	−	19
Alsthom	301	−	8

NEW YORK ($) at 12.30

Rises			
Beecham St	24 3/8	+	1/2
Ford Motor	51 1/8	+	3/8
Florida St	48 7/8	+	1 3/8
Clark Equip	33 1/4	+	1 1/2
York Intl	58 1/4	+	1
Falls			
Du Pont	85 1/2	−	5/8

TOKYO (Yen)

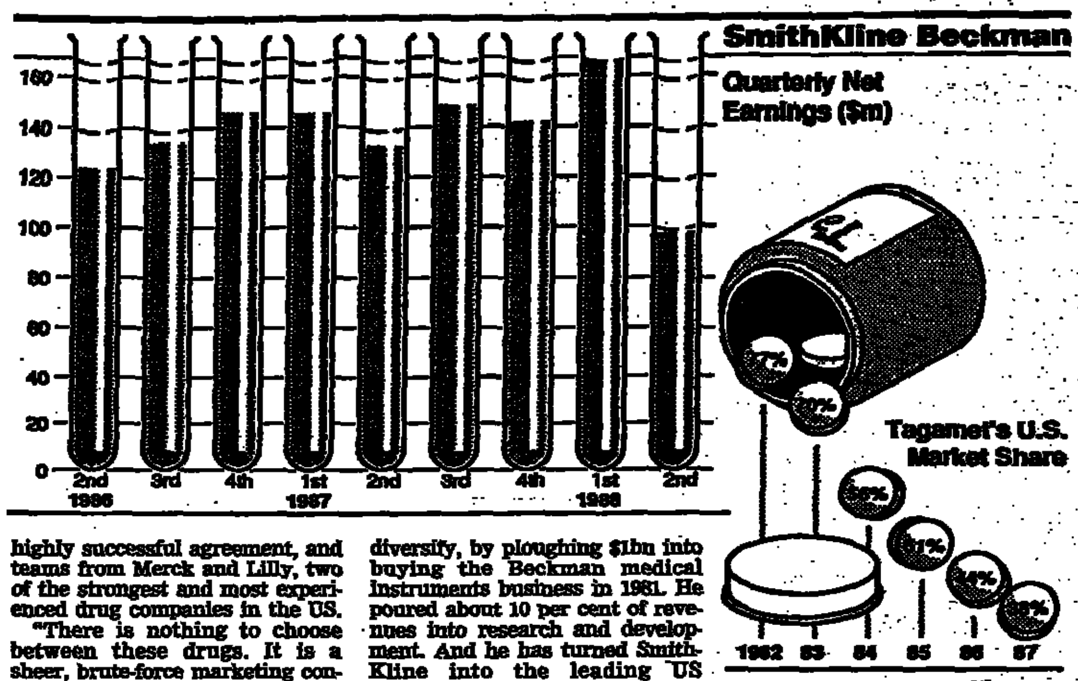
Rises			
Koito MFG	3650	+	460
Inagaya	3900	+	420
Mitsubishi	1590	+	200
Falls			
Tokyo Tatsu	1920	−	130
Komatsu Con	1470	−	120
Calpis food	1460	−	110

LONDON (Pence)

Rises		
Treas.8pc 2009	£88 13/16	+ 5/16
Amersham Intl.	470	+ 25
Atkins Bros.	355	+ 25
BOC	412	+ 8
Beecham	479	+ 9
Devenish (J.A.)	353	+ 24
Frogmore Ests.	390	+ 5
Mansfield Brew.	387	+ 9
Oliver (G.)	545	+ 45
Randsworth Trust	188	+ 7
Reed Intl.	443	+ 14
Tate & Lyle	886	+ 21
Yale & Valor	480	+ 7
Falls		
Chloride	60	− 5
Mountleigh	160	− 12

Enough to give medicine men an ulcer

James Buchan in New York looks at the problems facing SmithKline Beckman



When Mr James Cavanaugh, the high-flying head of SmithKline Beckman's $1.5bn US drugs business, quit the company on Tuesday, there was little surprise on Wall Street.

In the six weeks since the venerable Philadelphia company said the market for its ulcer drug was collapsing, angry analysts and investors have been baying for managerial blood.

"It's not just Jim Cavanaugh. No one person should be held fully responsible for problems affecting the key drug supporting a majority of the company's earnings," said Mr Neil Sweig, an analyst at Prudential-Bache, US financial services group.

For Mr Henry Wendt, the elegant and patrician chairman of SmithKline, the management challenge over the next few months is appalling. SmithKline, which was transformed by its Tagamet wonder drug from a genteel Philadelphia druggist into a $4.3bn-sales money machine, has watched in horror as the sales of Tagamet have fallen steadily since April.

Tagamet sales may now be running as much as 30 per cent (at constant exchange rates) below the $1bn-a-year level of 1987. Wholesalers grossly over-ordered the drug and it could be three months before these distribution channels are clear.

Meanwhile, the company's No. 2 drug, a diuretic called Dyazide, is being crippled by generic competition and its US sales are down 60 per cent worldwide from last year's $365m, according to Wall Street estimates.

Mr Wendt must hold the slide in these drugs while reaching into the company's $423m-a-year research effort to find new compounds to replace them. And he must restore Wall Street's confidence.

If he fails, he could lose the company. SmithKline's market value has tumbled nearly 20 per cent since Mr Wendt let out word of Tagamet's problems on June 16. The company is still worth $5.7bn in the market, but it could be taken over, analysts say. "It could be bought and broken up," says Mr Sweig.

The crisis at SmithKline is the climax of one of the most ferocious marketing battles in recent US business history. Tagamet, which owned a monopoly of the market for treating ulcers in the US for a heady seven years from 1976-83, has been slowly driven off doctor's prescription lists by newer products.

Zantac, which is made by Glaxo of the UK, has overtaken Tagamet and stolen its mantle as the world's best-selling drug. Merck's Pepcid and Eli Lilly's Axid have chipped away from the bottom, leaving Tagamet with a share which is probably under 40 per cent.

SmithKline has a "detail force" to promote the drug to physicians and hospitals of 1,100 specialised and highly-paid salesmen. A further 400 sales people from DuPont are pushing Tagamet.

Arrayed against them are no fewer than 5,000 salesmen from Glaxo and Hoffmann-La Roche, jointly promoting Zantac under a highly successful agreement, and teams from Merck and Lilly, two of the strongest and most experienced drug companies in the US.

"There is nothing to choose between these drugs. It is a sheer, brute-force marketing confrontation," says Mr Sweig. "And SmithKline is being out-gunned."

Wall Street also complains that SmithKline could have done more to exploit Tagamet's astonishing windfall. Cimetidine, the generic name for the drug discovered by Dr James Black at SmithKline in the UK, blocks the histamines which trigger the production of acid in the stomach and allows ulcers to heal, sometimes in weeks.

Before the pale green pill arrived, the 4m or so Americans being treated for ulcers were prescribed only medicines to line the stomach and stop pain – or surgery.

From its launch in 1976, Tagamet's growth was extraordinary. Sales in 1978 were $280m and $450m in 1979. By the time Zantac was launched in the US market in July 1983, Tagamet's sales were approaching a billion dollars and it was providing half SmithKline's profits.

Mr Wendt, president of the company since 1976 and chairman since 1987, followed a textbook strategy with Tagamet's cash flows. He attempted to diversify, by ploughing $1bn into buying the Beckman medical Instruments business in 1981. He poured about 10 per cent of revenues into research and development. And he has turned SmithKline into the leading US network of clinical testing laboratories.

But the company kept running into bad luck. Beckman Instruments' market suddenly caved in when federal spending cuts hit hospital budgets in 1983, while SmithKline's best over-the-counter product, Contac cold remedy, had to be pulled off shelves because of a tampering scare. Promising products from research and development (R&D) had to be dropped because of potential side-effects.

These problems distracted SmithKline just at the time the Zantac assault was gaining strength. And Zantac had one key marketing advantage. "There really is no major difference in the efficacy of these drugs," says Dr Robert Cooper, assistant professor of medicine at New York Hospital, the Cornell University medical school. "But back then, the difference was in potency. Zantac could be taken only twice a day, while the SmithKline drug was orginally four times a day. Also when a new drug comes on, it's tried because it's new. If the SmithKline people made an error, it was not to come up with a new class of drug."

SmithKline has launched a television advertising campaign for Tagamet and Mr Wendt has promised a wholesale reorganisation of the drugs business. But there are doubts on Wall Street and in the industry that Tagamet's sales can be stabilised at anywhere near the old $1bn level.

"It's kind of a stale drug," says Dr Cooper of Cornell University. "I have no confidence at all that the company knows what the outlook is for Tagamet," says Ms Constance Maneaty, an analyst at S.G. Warburg in New York.

Meanwhile, successor drugs in R&D are not expected to reach the market until 1991 – and "a lot can go wrong between now and then," Ms Maneaty says. Much of the research work is concentrated in cardiovascular products, an area where government approvals tend to be slow and where powerful companies such as Merck are well represented. "I see nothing unique in SmithKline's product pipeline and cardiovascular is, or will be, a crowded field," she says.

Farge takes chair at the COB

By George Graham in Paris

THE FRENCH government yesterday named a new head to the Commission des Operations de Bourse (COB), the stock market regulatory authority.

Mr Jean Farge, minister for social security between 1979 and 1981 in the government of Mr Raymond Barre, will take over the chairmanship of the COB for a four year term. He succeeds Mr Yves Le Portz.

Viewed as a rigorous administrator, Mr Farge takes over a watchdog which has been much criticised for its lack of bite.

The COB has greatly expanded its investigative staff, and saw its powers extended by last year's financial services legislation, but is still ill-equipped in comparison with its US counterpart, the Securities and Exchange Commission.

With no direct punitive powers of its own, the COB has frequently been overturned by the law courts in its efforts to clamp down on insider trading.

The stock exchange authorities, too, have often been reluctant to act on the COB's recommendations, refusing last year to impose sanctions on stockbrokers criticised by the COB.

The stock exchange itself yesterday announced new capital requirements for broking firms.

Every broker will be required to have minimum capital of FFr 20m ($3.2m) by the end of this year, rising to FFr 25m a year later.

Provincial brokers will only be required to have FFr 2m this year, rising to FFr 3m a year later.

The exchange is also working on prudential ratios, expected to be published this autumn, relating brokers' capital to their activity and degree of risk.

The issue of brokers' capital has become an urgent priority for the stock exchange, after the revelation that it had not only lost FFr 614m of its own reserve funds in imprudent trading but had also had to make FFr 700m of provisions to cover losses at member firms, most of which have continued trading despite their deficits.

Banks which have bought stakes in brokers were disgruntled at being asked both to guarantee their subsidiaries and to contribute to a FFr 1.2bn reinforcement of the exchange's funds.

Ford scores record $1.6bn despite fall in US market

By Anatole Kaletsky in New York

FORD Motor, the second-biggest US car manufacturer, made record profits from its world operations in the second quarter, despite a big decline in earnings from the US market.

The company's results confirmed the enduring strength of the world demand for cars, as well as underlining Ford's continuing gains in market share, particularly in the US.

Ford's net profit of $1.66bn or $3.43 a share was 11 per cent ahead of the $1.5bn or $2.90 reported a year ago. Its world sales were $22.4bn, 15 per cent up on the year before. In volume terms, the growth was slower, with factory unit sales increasing by 6 per cent to 1.79m units.

Ford's earnings from its international operations jumped 46 per cent to a record $760m. Ford said the largest gains came from Europe, where improved margins, strong industry volumes and currency fluctuations all worked in the company's favour. Ford's factory sales in Germany increased 8 per cent to 264,348 units, while volumes in Britain rose 5 per cent to 144,747 units. In Canada, Ford's third-largest foreign market, sales fell 6 per cent to 101,045 units.

In the US, Ford's net income fell 20 per cent to $903m, largely because of the cost of sales incentives, which reflected the tough competitive conditions in the car market. Ford increased its share of the US car and truck market by a total 7 per cent compared with the second quarter of 1987. In the latest quarter it held 22 per cent of the car market and 29 per cent of the truck market. Its unit sales of cars increased 12 per cent to 672,636 while truck sales advanced by 7 per cent to 407,416 units.

Ford's financial services group, including First Nationwide, the retail banking unit, contributed 45 cents a share to the latest results, slightly below the profits earned last year. Most of the decline came from Ford Credit, reflecting lower interest margins and higher credit losses.

Commerzbank slips

By Andrew Fisher in Stuttgart

COMMERZBANK, West Germany's third-largest commercial bank, saw partial operating profits fall at group level by 5.6 per cent to DM519m ($279m) in the first six months of 1988.

But full operating profits, for which no figure was given, showed an 8 per cent increase. These include trading on the bank's own account. The comparison in both cases is with half of the full year's result in 1987.

At the parent company, the partial operating profit was down 4.2 per cent to DM327m after a rise in staff and other costs of some 5 per cent. However, compared with the first half of 1987 rather than half of the 1987 result, it was 5.9 per cent higher.

While interest income was 6.6 per cent higher at DM1.2bn, commission income was down 4.4 per cent to DM447m as securities business picked up at a slow rate after last October's stock market crash.

But total operating profits for the parent showed an 18 per cent increase due to higher earnings on own-account securities and foreign exchange trading.

Commerzbank is the second of West Germany's big three commercial banks to report its interim figures this week, following Dresdner which also announced a fall in partial operating profits.

Dresdner's total operating profits were also down.

Heidelberger Druck to buy Web Press group of US for $300m

By David Marsh in Bonn

HEIDELBERGER Druckmaschinen, the leading West German printing machinery company, has agreed to buy Web Press Group of the US for $300m, its first foreign manufacturing operation.

The deal was signed yesterday in New York with Web Press's parent company, AM International.

Heidelberger Druck, the world's largest manufacturer of printing presses, has gained a strong reputation for its computerised production machinery.

It outbid an offer of $250m made for Web Press by Komori Printing Machinery of Japan. The West German company said yesterday that the deal was now regarded as definite.

The purchase is expected to take effect in the next two to three months after completion of legal and regulatory procedures in the US. It gives Heidelberger Druck, which is majority owned by the giant West German utility Rheinisch-Westfälisches Elektrizitätswerk, three US production facilities, together with an assembly plant in Mexico and a factory in Montataire, France.

The move is designed to build up Heidelberger Druck's expertise in web offset presses, adding to its central activities in the sheet-fed offset field. It is expected to add roughly 30 per cent to the company's consolidated turnover of DM2.3bn ($1.24bn) last year.

California puts GA on hold

By Nick Bunker in London

THE CURSE of Roxani has struck again: this time, in the Highlands of Scotland.

Last month, Ms Roxani Gillespie, the California Insurance Commissioner, blocked the hostile bid by Britain's BAT Industries, the diversified tobacco giant, for Farmers Group, the US motor insurer. Her latest potential victim is General Accident, the Scottish-based insurance group.

On June 27, GA said it was buying 51 per cent control of NZI Corporation of New Zealand. Few people knew that NZI had a small US subsidiary – the New Zealand Reinsurance Company of America – domiciled in San Francisco. The result is that GA now risks falling foul of the same obscure section of the state insurance code which stymied BAT.

Ms Gillespie vetoed BAT's bid after Farmers pointed out that BAT's shareholders included such entities as the Kuwait Investment Office, the London Transport Pension Fund and Nottingham County Council. That contravened part of the state code, which says that no California insurance company can be owned by a foreign government entity.

Ms Gillespie's officials are now poring over the shareholder list of any company seeking to control more than 10 per cent of an insurer domiciled in the state. On GA's foot-and-a-half thick share register, they discovered some local authority and state industry pension funds, and realised they might have to deny the application.

The fuss has raised eyebrows in Scotland, since New Zealand Reinsurance Company of America is tiny and actually operates from New Jersey. The rest of the NZI acquisition was completed two days ago after receiving regulatory consent everywhere else. Mr Ian Menzies, a GA director, says: "We have had to provide more information to California than to all the others put together."

The worst thing that could happen is that GA could be prevented from voting the reinsurance company's shares, but, says Mr Menzies: "All we've been told is that California won't give a decision until after the court ruling on BAT".

The serious point is that Ms Gillespie's ruling on BAT now makes every insurance company in California virtually immune from takeover by any sizeable publicly-held company – at least until the local courts or the state legislature clears up the question of what constitutes control by a foreign government. But Ms Gillespie could face an even more formidable adversary than GA or BAT: Mr Gianni Agnelli, the Italian magnate whose Agnelli group controls Fiat.

IFINT, an Agnelli group investment vehicle, plans to buy 18 per cent of Fireman's Fund, another San Francisco-based insurer. California insurance officials are now wondering what they might find if they have to scrutinise Fiat's share register.

INTERNATIONAL COMPANIES AND FINANCE

Demand for steel products lifts USX

By James Buchan in New York

USX, the big steel and energy group, boosted second-quarter income by 29.1 per cent as a surge in profits from the steel business easily made up for sluggish oil and gas markets.

The Pittsburgh company, which is the largest US steel producer and owns Marathon Oil, said that earnings for the June quarter were $213m or 74 cents a share, up 29.1 per cent on a 7.5 per cent increase in sales to $4.27bn.

Powerful demand for steel products pushed earnings in this division to $223m in the June quarter, from only $66m in the second quarter of 1987 when USX was still suffering the after-effects of a strike. Sales doubled to $1.58bn.

Mr David Roderick, chairman, said: "These results indicate that we are finally hitting our stride in our steel operations. We anticipate a continued strong domestic market for the remainder of this year and continuing into 1989."

In the energy business, operating income fell from $223m to $104m on lower sales of $2.43bn against $2.79bn. Profits in the 1987 second quarter were favoured by $78m in special accounting changes, with the result that Marathon's operating income was down only $19m quarter-on-quarter.

"We foresee a continuation of substantial downstream profitability and improving upstream earnings when crude oil prices recover," Mr Roderick said.

Itel in $1.2bn transport deal with Henley Group

By Our New York Staff

HENLEY GROUP, the deal-oriented conglomerate created two years ago *as a spin-off* from Allied Signal, yesterday unveiled a complicated $1.2bn transaction involving its large interests in the US transportation business, which include a 17 per cent stake in Santa Fe Southern Pacific, the nation's second biggest railroad.

Henley is selling Signal Capital, a finance company heavily involved in the railcar leasing business, together with its stake in Santa Fe and American President Companies, a big rail and sea transport and distribution business.

The buyer is Itel Corporation, a Chicago-based transportation, dredging and distribution company. However, Henley will not be giving up indirect control of the assets it is selling because of a substantial stock component in yesterday's deal.

Itel will pay Henley $827m in cash, all of it borrowed. In addition it will provide Henley with 18.7m shares of Itel stock, valued at around $400m. This stock will give Henley a 40 per cent interest in Itel.

Mr Michael Dingman, Henley's chairman, will also join the Itel board, but there appears to be no question of Henley taking over Itel in the long run.

Yesterday's deal included a 10-year standstill agreement which will limit the manner in which Henley's Itel shares may be voted or sold, and restrict acquisition of any further stock.

The transaction will make Itel America's biggest railcar leasing company. At present it leases 43,000 railcars, and Pullman Leasing, a subsidiary of Signal Capital, 30,000.

Du Pont earnings rise 27%

By Janet Bush in New York

DU PONT, the major chemicals, oil and gas company, yesterday announced a 27 per cent rise in net income in its second quarter.

Net income totalled $639m or $2.67 a share in the three months ended June compared with $504m or $2.08 in the same period a year ago. Earnings per share in the first quarter of this year amounted to $2.45.

Du Pont's second-quarter earnings included a benefit of $43m or 18 cents a share from the sale of an interest in a North Sea oil property.

On the New York Stock Exchange, Du Pont's share price was quoted ¼ lower at midsession at $85¼.

Mr Richard Heckert, Du Pont chairman, said he was encouraged by a strong showing in the first six months of the year and added that he was looking forward to a good second half.

He particularly noted strong sales and earnings from the company's agricultural and industrial chemicals, fibres, polymer products, downstream petroleum and coal businesses.

The agricultural and industrial chemicals business was bolstered by strong worldwide sales and earnings growth for crop protection products and white pigments.

Earnings for petroleum refining, marketing and transportation more than doubled due to improved refined product margins which relfected strong demand and relatively low gasoline inventories in the US.

Total company sales were $8.5bn in the second quarter, up 9 per cent from $7.8bn a year ago.

Sales for the chemicals and specialty products businesses increased 12 per cent over the year, reflecting a 6 per cent increase in volume and a 6 per cent rise increase in selling prices.

Control Data warns of layoffs

By Our Financial Staff

CONTROL DATA of the US is considering making cuts within the next month in its computer group that may *include layoffs, plant closures* or spending freezes, said Mr Greg Schmidtlein, vice-president.

Last week, the group said it would shut five plants and lay *off 2,500 workers for one week* before Labor Day in September. "Similar things like that that could happen elsewhere, or again," warned Mr Schmidtlein. "It is not out of the question to have some workforce reductions."

Mr Schmidtlein, who heads Control Data's investor relations, said all parts of the Computer Systems and Services unit, including its ETA Systems supercomputer company, were being looked at. "There are no sacred cows," he said, adding that the unit's third-quarter sales will be below 1987's level.

The layoffs could range from one week around Christmas to permanent layoffs, Mr Schmidtlein said.

The company which announced improved second-quarter earnings, said it expected a shortage of semiconductors to put pressure on third-quarter sales of mainframe computers.

Its second-quarter income rose to $9.2m, or 22 cents a share from a loss of $5.5m or 14 cents in the same 1987 period. Revenues were $951.7m, compared with $785.9m. For the half-year net income stood at $14.5m against $800,000, or 34 cents, up from 1 cent, on revenues of $1.85bn, up from $1.61bn.

Control Data said the semiconductor shortage, which is hitting the entire industry, will cause shipments of its Cyber 980 mainframe to be delayed to the fourth quarter from the third quarter.

Mr Schmidtlein said revenues at Control Data's chief computer unit, the computer systems and services group, will be 10 to 15 per cent below expectations. The unit averaged about $825m per quarter last year in revenues.

He added that the ETA Systems supercomputer unit was also performing below expectations. "We had hoped we would have a few more orders at this time than we *have,*" he said.

The cost of developing supercomputers at ETA has also been above the planned level, Mr Schmitdlein declared.

Control Data has budgeted $50m a year to build the units, which were introduced five months ago, but Mr Schmidtlein said "the cost to completion turned out a little higher than we expected."

Xerox shows steady growth

By Our Financial Staff

REVENUE GROWTH of Xerox's financial services operations outstripped that of the company's business products and systems in the second quarter.

The US group, which is a leading producer of copying and duplicating equipment, posted net income of $167m or $1.59 a share for the period, on total revenues up 9 per cent to $4.1bn. This was an increase of 8 per cent on last year's net income of $154m or $1.44.

Xerox's financial services experienced growth across the board to lift revenues by 17 per cent to $1.2bn in the latest quarter. Business products and systems revenues increased 5 per cent to $2.8bn from $2.7bn.

Financial services net income in the quarter was $80m, a rise of 12 per cent. Business products net income was $87m, up 5 per cent from $82m last time.

For the half-year, group net income rose by 11 per cent to $319m, lifting per share earnings to $2.96 from $2.69 on revenues 10 per cent ahead at $7.9bn.

Special factors distort Newmont Mining returns

By Kenneth Gooding, Mining Correspondent

NEWMONT MINING, the US natural resources group in which Consolidated Gold Fields of the UK has a 49.7 per cent shareholding, saw its net profit in the second quarter fall sharply, from $290.7m or $4.63 a share to $19.4m or 29 cents a share.

However, the figures are barely comparable because the group, which once was the best-capitalised US gold company, went deeply into debt and sold off assets to fend off an unwelcome $6bn takeover approach from a group led by Mr T. Boone Pickens, the well-known corporate raider.

And during the second quarter of 1987 Newmont made a net gain of $265m from sales of shares in subsidiaries to the public. This compares with a net gain of $19.5m from dispositions of discontinued operations in the 1988 second quarter, partly offset by an $8.2m foreign currency translation loss.

Revenue for the second quarter increased from $89.2m to $112.9m.

The company is maintaining the quarterly dividend payment at 15 cents a share.

Newmont Gold, the subsidiary responsible for the group's gold mining operations in the US and Australia, had a virtually unchanged net profit in the second quarter of $24.55m or 23 cents a share against $24.15m or 23 cents.

The company's gold bullion sales in the quarter were 194,500 troy ounces at an average price of $454 an ounce compared with sales of 157,200 ounces at $451 an ounce in the same period of 1987.

Newmont Gold's revenue rose in the quarter from $71m to $88.3m.

Rising costs depress NWA income

By Our Financial Staff

NWA, the holding company for Northwest Airlines, saw second-quarter year-on-year earnings fall as higher costs including landing fees and wages took their toll.

The company, which acquired Republic Airlines in 1986 reported net income of $28.3m or 97 cents a share, down from $50.6m or $1.73 in the same period last year on revenues of $1.38bn, against $1.32bn.

NWA, however, suffered a loss in the first quarter this year which resulted in the company recording a first-half deficit of $15.14m, compared with a profit of $15.65m last time, on revenues up to $2.64bn from $2.42bn. The per share loss came out at 52 cents.

The airline said it was expanding services and opening new routes.

Better margins benefit Chevron

By Our Financial Staff

STRONG PERFORMANCES from the refining, marketing and chemicals activities of Chevron, the fourth largest US oil group, brought about a sharp rise in its second-quarter net earnings. They advanced to $520m or $1.52 a share from $358m or $1.04.

The company said sales margins improved from last year's depressed levels, with those for petroleum products at their highest for two years.

Fireman's Fund premium income dips

By Nick Bunker

FIREMAN'S FUND, the big California-based non-life insurer, saw its premium income drop 15.4 per cent to $747m in the second quarter of this year, indicating the severity of the price-cutting in the $195bn US property/casualty insurance market.

The company said the dip in premiums was occurring because it was determined to maintain the quality of its business and was refusing to underwrite insurance risks at prices likely to produce big losses in years to come.

It is particularly exposed to the industry's current wave of price reductions because they mostly affect insurance for commercial buyers. Commercial lines made up more than 75 per cent of the company's $3.9bn 1987 turnover.

For the six months ended June 30, Fireman's Fund's net income was up 24 per cent at $115m, in spite of realised pre-tax investment losses of $12m.

In the June quarter, net income was $51m, compared with a net loss of $116m in 1987, due mainly to a $360m reserve-bolstering exercise prompted by concerns over claims arising from asbestosis and hazardous waste pollution.

In the last year Fireman's Fund has also repurchased 17m of its own shares, representing more than 26 per cent of its equity. This has helped boost earnings per share to $2.42 in the first half of 1988 against 49 cents last year.

The scale of the completed stock buybacks reflects the fact that Mr Jack Byrne, Fireman's Fund's chairman, has become the US insurance industry's best-known exponent of a strategy of trying to maintain stable or growing rates of return on equity by deliberately shrinking capital at times when the market is entering a cyclical downturn.

The biggest fall in premiums was in the underwriting of excess casualty policies, a type of coverage bought by commercial buyers seeking insurance against legal liabilities. "We are not walking away from our insureds, but we won't accept business at the wrong price," said Ms Carole Kelleher, a Fireman's Fund official.

Premium volumes were also down because Fireman's has pulled out of Massachussetts entirely and has withdrawn from *private motor* and household insurance in more than 10 other states.

NORTH AMERICAN QUARTERLY RESULTS

AMERADA HESS
Independent oil company

	1988 $	1987 $
Second quarter		
Revenues	882.8m	1.16bn
Net income	#23.5m	89.4m
Net per share	#0.29	1.06
Six months		
Revenues	2.14bn	2.39bn
Net income	42.2m	270.9m
Net per share	0.51	3.21

Loss

BETHLEHEM STEEL
Steel producer

	1988 $	1987 $
Second quarter		
Revenues	1.4bn	1.13bn
Net income	150.5m	46.8m
Net per share	2.05	0.79
Six months		
Revenues	2.73bn	2.26bn
Net income	235.9m	72.4m
Net per share	3.32	1.17

HERSHEY FOODS
Confectionery

	1988 $	1987 $
Second quarter		
Revenues	563.6m	497.7m
Net income	28.6m	27m
Net per share	0.32	0.30
Six months		
Revenues	1.17bn	1.09bn
Net income	65.6m	59.9m
Net per share	0.73	0.66

SHELL OIL
Oil and gas

	1988 $	1987 $
Second quarter		
Revenues	5.43bn	5.18bn
Net income	263m	266m
Six months		
Revenues	10.5bn	9.7bn
Net income	1.51bn	374m

ANHEUSER-BUSCH
Brewing

	1988 $	1987 $
Second quarter		
Revenues	2.53bn	2.38bn
Net income	211.5m	181.8m
Net per share	0.72	0.60
Six months		
Revenues	4.79bn	4.49bn
Net income	363.9m	309.9m
Net per share	1.23	1.02

ENSERCH
Gas transmission

	1988 $	1987 $
Second quarter		
Revenues	646.6m	659m
Net income	#2.8m	#2.7m
Net per share	#0.05	#0.05
Six months		
Revenues	1.5bn	1.41bn
Net income	27.2m	16.1m
Net per share	0.47	0.28

PRIMERICA
Financial services

	1988 $	1987 $
Second quarter		
Revenues	1.08bn	746.5m
Op net income	45.1m	47.5m
Op net p/shr	0.81	0.80
Six months		
Revenues	2.11	1.55
Op net income	90.2m	90.1m
Op net p/shr	1.59	1.49

SUN CO
Independent oil company

	1988 $	1987 $
Second quarter		
Revenues	2.43bn	2.43bn
Net income	#201m	90m
Net per share	#1.90	0.82
Six months		
Revenues	4.82	4.69
Net income	#141m	128m
Net per share	#1.33	1.17

Strength and weakness of the BASF chemistry set

Peter Marsh looks at the West German company's increasing move away from commodity products towards speciality fields

SMALL CHILDREN who like playing with chemistry sets would envy the job of Mr Hans Albers, chairman of BASF, the big German chemicals company. Mr Albers is in charge of one of the world's biggest sites for synthesising molecules, BASF's massive Ludwigshafen complex.

The facility, which comprises 1,600 separate plants and makes 12m tonnes of materials a year, is both a strength and a weakness for the 63-year-old Mr Albers, who has held the top job at BASF for five years.

On one hand the site provides BASF with great flexibility in producing chemicals for different applications. The Ludwigshafen complex, which stretches for nearly four miles along the Rhine half an hour's drive from Frankfurt, turns out 6,000 different products, most of which are used in small quantities in making an even wider range of goods from pharmaceuticals to plastic car components.

The Ludwigshafen chemistry set has played a big part in recent years in taking BASF away from a concentration on commodity products such as standard plastics and fibres and towards newer, diversified areas where margins are higher and competition is less strong.

Products in these "speciality" fields, which Mr Albers says account for 65 per cent of BASF's output, up from half at the turn of the 1980s, include engineering plastics for the aerospace industry and new inks for printing systems.

The drawback to the Ludwigshafen site, however, is that it provides a high centralised focus to BASF which is out of tune with much of current thinking in the world's chemicals industry.

Many of the biggest companies, including BASF, are trying as hard as they can to devolve management responsibilities towards operating divisions and subsidiaries in the cause of making employees more responsive to changes in the market place.

Hans Albers: aware of BASF's image problem

Although BASF runs other big chemical plants, in and outside Germany, their output is dwarfed by that of the Ludwigshafen complex. Ludwigshafen also employs two fifths of BASF's 133,000 employees and is responsible for most of the company's research and development.

To some degree the centralised nature of BASF is responsible for the company's staid, unexciting image. Among chemicals analysts, BASF is generally reckoned to be behind Bayer and Hoechst, the other two big German chemicals companies, in the degree to which it has switched away from commodities towards the newer, higher-value products.

Another factor shaping the view of the outside world is BASF's involvement in oil and gas production, where it has interests both in Germany, in the North Sea and in the Middle and Far East.

These operations, which together with minerals production accounted for 14 per cent of BASF's turnover last year of DM40.2bn ($22bn), have been hit by the fall in oil prices and the high value of the D-Mark and have been a difficult area for BASF in recent years.

Mr Albers says he is aware of the image problem, but insists the view outsiders have of his company is not always accurate. "If a company has a certain image then people stick to it so easily. They keep repeating the same old story."

Mr Albers is especially keen to highlight the more fast-moving parts of BASF, in particular the consumer products sector which last year had sales of DM8bn, up from DM5bn in 1983. This division encompasses several innovative and high-value product areas, including automotive paints, audio tapes and graphics systems for the printing industry.

Another promising aspect to BASF is the strength of its overseas selling operations, particularly in the US, where it has expanded significantly in recent years.

One part of BASF in the doldrums is its agriculture operations, which include crop-protection chemicals and fertilisers. In both areas competition is very heavy and profit margins low or non-existent.

Another area where Mr Albers admits to some disappointment concerns BASF's drugs division, which is responsible for only 3 per cent of BASF's total sales – far below the percentages for the comparable divisions of Bayer and Hoechst.

Bearing in mind the high growth prospects for the pharmaceutical sector and the high profits in this industry, Mr Albers admits to a tinge of regret that his own drug operations are not bigger.

He says he would not rule out an acquisition in this field, though concedes that moves in this direction are not particularly likely as a result of the high prices being asked for drug companies that come up for sale.

In keeping with the low-key traditions of his company, Mr Albers is cautious when it comes to predicting the immediate future for BASF. "Demand at the moment is very healthy. It's very difficult to speak of the next few years, although I can't see too many clouds in the sky."

Bull computer group reports double income

By George Graham in Paris

BULL, the French state-controlled computer group, doubled its net profits in the first six months of 1988 to FFr75m ($12m).

With consolidated sales up 10 per cent to FFr8.6bn, Bull benefited from a clear increase in domestic orders and continued growth in orders outside France.

The company reported good results from the markets for distributed data processing solutions, integrated networks, dedicated servers and workstations.

Cash flow amounted to FFr930m at the end of June, up 20 per cent from a year earlier. Research and development costs rose 10 per cent to FFr798m.

Honeywell Bull Inc, the international computer group formed with Honeywell of the US and NEC of Japan in which Bull has a 42.5 per cent stake, reported sales of $1bn, up 8 per cent from the first half of 1987.

Bull last year saw a substantial decline in earnings, with net profits dropping 17 per cent to FFr225m. The company has been obliged to restructure its industrial operations, with job cuts and realignments of its sales networks.

Pernod seeks Coca-Cola talks

PERNOD-RICARD, the French drinks group, said yesterday it is seeking talks with Coca-Cola to solve their dispute over Pernod's distribution and production rights of the US-based group's drinks in France, Reuter reports from Paris.

Mr Patrick Ricard, Pernod chairman, said: "Pernod-Ricard calls for a comprehensive and quick negotiation that would best protect the interests of staff and shareholders."

A Paris appeal court on April 13 reversed a commercial court decision and ruled that Coca-Cola was not obliged to renew its contracts with Pernod-Ricard.

Daimler chief presses MBB clarification

By David Marsh in Bonn

MR EDZARD REUTER, chairman of Daimler-Benz, the West German motor conglomerate, said yesterday he expected "definite clarity" this autumn on the company's planned takeover of a 30 per cent stake in Messerschmitt-Bölkow-Blohm, the arms and aerospace group.

Speaking ahead of a crucial meeting in Bonn on Saturday, Mr Reuter reaffirmed that Daimler-Benz would only purchase its stake on the condition that the Government took over risks associated with MBB's participation in the European Airbus venture.

Mr Reuter, in an interview with Stern, the West German magazine, linked his firm line over the Airbus to the danger that his company could become involved in a trade war with the US over airliner subsidies.

He underlined Daimler's insistence that it should receive no subsidies from the Government in connection with Airbus.

Nestlé expects slightly higher 1988 profits

By William Dullforce in Geneva

NESTLE, the Swiss foods group, said yesterday it expected to make a slightly higher consolidated net profit in 1988 than the SFr1.83bn ($1.18bn) it posted last year.

Recent acquisitions, notably Rowntree in the UK and Buitoni in Italy, would make a small contribution to earnings in spite of the non-recurrent expenditures arising from their purchase, Nestlé said.

With the inclusion of Rowntree and Buitoni in the consolidated figures from July 1 year-end sales were expected to approach SFr40bn compared with last year's SFr35.2bn. Group sales at the six-month mark were SFr17.4bn, an increase of 1.7 per cent on the first half of 1987.

The relatively modest advance in terms of Swiss francs masked a 5 per cent growth in sales volume.

Nestlé's forecast of slightly higher earnings this year is predicated on their being no fundamental changes in the currency sector for the rest of the year.

Swiss Life bids for La Suisse

By Our Financial Staff

SWISS LIFE and Pensions, Switzerland's largest life insurer, has entered the battle for general insurer La Suisse with a surprise agreed bid of SFr12,000 ($4,530) per share.

La Suisse, one of Switzerland's smaller insurers, said it was recommending shareholders to accept the bid which values the company at SFr576m.

The bid followed one day after a SFr10,000 by Saurer-Gruppe Holding, majority owned by Mr Tito Tettamanti, the acquisitive Swiss financier. This in turn outbid an offer of SFr7,200 per share made by Mr Andre Grebler for the Swiss company, known locally as Schweizerische Lebensversicherungs und Rentenanstalt.

Agnelli holding company profits advance 3.8%

By Alan Friedman in Milan

ISTITUTO FINANZIARIO Industriale (IFI), the Agnelli family holding company which controls a significant stake in Fiat and other industrial and financial concerns, yesterday reported a L90.8bn ($66.2m) net profit for the year ended March 31, up 3.8 per cent on the previous year.

IFI has a direct 28.12 per cent stake in Fiat, while the Agnellis control a further 9.7 per cent of Fiat through IFIL, another family company majority owned by IFI. A final 1.52 per cent of Fiat is held by Toro, the insurance company majority owned by IFIL.

IFI also has a wide range of other interests including publishers, cement companies and financial investments.

IFI said the market value of its investments amounted to L3,500bn more than their book value of L894bn.

● Telettra, the Fiat telecommunications subsidiary, said yesterday it had won a L6bn contract to supply fibre optic transmission systems to UK's Mercury Communications.

BA still seeks stake in Air NZ

By Terry Hall in Wellington

BRITISH AIRWAYS is still "very interested" in gaining at least a 25 per cent stake in Air New Zealand despite a profit setback at Wellington's state flag carrier, according to Sir Colin Marshall, BA's chief executive.

Air NZ has just announced net profits of NZ$70.4m (US$47m) in its year to June, down from the previous year's record NZ$178.9m.

Sir Colin, who is visiting New Zealand, said in an interview yesterday that BA's offer, to be made in the next two weeks, would reflect Air NZ's past performance and its prospects. "Considering everything that has been happening, Air New Zealand is probably at a low point right now," he said.

Air NZ had not sold any of its fleet in the past year to take advantage of the bull market in second-hand planes, as it had done previously.

BA would not seek to make changes in Air NZ. "We don't want to change a winning formula," he added.

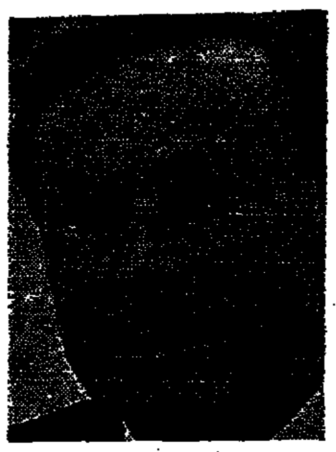
Sir Colin said his company would expect board representation at the 25 per cent to 30 per cent level. This question has arisen in New Zealand because of a refusal by Ranks Hovis McDougall of the UK to allow Goodman Fielder Wattie, the Australasian foods group, a board seat to reflect its near 30 per cent stake.

Sir Colin said he saw no point in buying into the airline as a mere minority holder.

He believed that there were strong strategic benefits for Air NZ in BA having a stake. The two businesses were highly complementary with minimal overlaps on route networks and with their seasons at different times of the year, which would allow to optimise both the use of aircraft and other resources.

Sir Colin said the BA negotiating team left Wellington last Thursday. He had seen their preliminary report, and said: "Our interest is building all the time."

BA was keen for a higher stake but would accept the limit because of concerns over a possible backlash from countries with bilateral air service agreements with New Zealand.



Sir Colin Marshall: sees strategic benefits

Sir Colin hoped that the New Zealand Government would follow the UK example of privatising BA, giving staff and the wider public shareholdings. He refused to comment on speculation that Sir Ron Brierley's locally based Brierley Investments was keen to buy the remaining 75 per cent.

Rivals to BA in the bid are Qantas of Australia as well as EIE Development, a Japanese company which is active in hotels in Australia and New Zealand, and a consortium of Air NZ staff.

Announcing the Air NZ results, Mr Hugh Fletcher, the chairman, said the dominant feature of the year was the greatly increased competition for both domestic and international activities. Turnover rose from NZ$1.53bn to NZ$1.55bn, while group operating profits fell from NZ$108m to NZ$68.7m.

The 1987 profit figure had included asset sales of NZ$102m.

Air NZ executives are privately known to favour a BA bid, and Mr Fletcher appeared to endorse this in remarks welcoming the coming privatisation, saying it was "desirable for Air New Zealand to have strong partners and compatible alliances." He added: "Strengthened access to the northern hemisphere markets is an important consideration."

Wardley defectors quit Citicorp HK unit

By David Dodwell in Hong Kong

CITICORP SCRIMGEOUR Vickers, the US-owned London stockbroker which stormed into Hong Kong's corporate finance sector three years ago by poaching the five-man core of the local Wardley merchant banking team, has had to taste its own medicine with news that the same team is again on the move.

The company, headed in Hong Kong by Mr Philip Tose, has revealed that Mr Stephen Clark, head of Citicorp International, its merchant banking subsidiary in the territory, will be leaving "in the next few months."

With him go Mr Christopher Howe and Mr K.C. Wong. The three are planning to set up their own corporate finance firm, and are understood to have backing of more than HK$100m (US$12.8m) – the minimum required in Hong Kong to set up such a business – from a number of corporate clients in the territory.

"You have to recognise that these are prima donna people – they are entrepreneurs," said one phlegmatic Citicorp executive. "It is not a matter of them not being happy with Citicorp, but being attracted by better opportunities elsewhere," he added.

The three men were part of a group of five that was wooed away from Wardley, one of Hong Kong's two leading merchant banks, in April 1985 as Citicorp launched itself into Hong Kong's fiercely competitive corporate finance business.

Mr Tose was convinced at the time that the only way to carve a niche in the local market was to buy in an existing and effective merchant banking team. Since then, his convictions appear to have been proven right, with Citicorp having established a strong position in the local merchant banking community.

The other two defectors from Wardley, Mr Francis Leung and Mr Francis Yuen, are also about to leave the group – Mr Leung to a separate merchant banking business, and Mr Yuen to become chief executive of the Hong Kong Stock Exchange. This latter appointment is unlikely to be confirmed officially until September.

"In the short term, it is going to be pretty difficult," Mr Yuen commented yesterday. "The group will take some time to recuperate. Stephen Clark and the team with him are leaving on very good terms – it's more a reflection that they have grown to a stage where they don't want to be employees any more."

Mr Tose, who was not in Hong Kong yesterday, is understood to have been aware of the plans of the corporate finance team for some time. Unless his convictions have been changed since 1985, he is now faced with two choices – either to withdraw from Hong Kong's corporate finance business, or to poach a new merchant banking team. There will doubtless be fierce speculation over where the group might pounce this time.

Curbs hit S African Toyota's supplies

By Jim Jones in Johannesburg

JAPANESE trade restrictions appear to have affected Toyota, South Africa's largest motor manufacturer, in the six months to June.

The company – which is locally owned but receives trademarks, technology and components under licence from Toyota of Japan – reported a 21.3 per cent increase in vehicle sales over the first half of 1987 but said supply shortages resulted in its market share dropping to 27.8 per cent from 28.4 per cent.

The Japanese Foreign Ministry, embarrassed by its country's growing two-way trade with South Africa, has sought to persuade exporters to cut sales to this market. Sales of motor kits and components form the largest part of Japan's exports to South Africa, where motor manufacturers have sought to cover their concern that cuts could affect production.

Toyota's loss of market share reflects consumer preference for West German cars, which are not currently threatened by sanctions, and gains made by Delta, the former General Motors unit which has been able to sell to the military since the US parent divested in 1986.

However, motor industry analysts say Toyota's first-half sales increase could signify that the company is not badly affected by trade restrictions and that component shortages could simply be the result of sharply higher demand this year.

Despite its loss of market share Toyota lifted first-half turnover to R1.18bn ($484.1m) from R831m. The interim pre-tax profit increased to R68.1m from R42.2m. Sales for the whole of last year were R1.92bn and the pre-tax profit was R106.4m.

First-half net earnings increased to R11.04 per share from R8.07 and the interim dividend has been lifted to R1.38 from R1.20.

Daiichi Sogo told to shake up management

By Our Tokyo Staff

THE JAPANESE Ministry of Finance has instructed Daiichi Sogo Bank to make its management sound, invoking a rarely used clause of the country's banking law.

The move followed a three-month inquiry by the MoF into the mutual bank's operations. The inquiry revealed that the bank had lent about Y80bn ($604m) to one property company, well above the legal limit.

Moreover, the property company, Mogami Kosan, has been on trial on charges of illegal land transactions.

Earlier this week, the MoF put Daiichi Sogo under its direct control, ordering it to seek ministry approval for settling its accounts.

Mr Chihiro Kobayashi, the bank's chairman, has been resisting MoF pressure that he should resign. On Monday, he said that he would work to comply with the ministry's orders.

Recruit Cosmos profit 51% up

By Ian Rodger in Tokyo

PRE-TAX PROFITS of Recruit Cosmos, the Japanese property group at the centre of a scandal over windfall gains on share flotations, rose 50.8 per cent to Y16.75bn ($126.4m) in the year to April on revenues of Y226.45bn.

Shares in Recruit Cosmos, the property subsidiary of the large Recruit publishing group, were offered to some 76 prominent businessmen and public officials in 1984 at a nominal price by Mr Hiromasa Ezoe, the group's chairman. This enabled them to make large profits following the company's stock market flotation two years later.

The transactions came to light two weeks ago, leading to the resignations of Mr Ezoe as chairman of the Recruit group and of some of the recipients of the shares.

Yesterday, Mr Ezoe also resigned as chairman of Recruit Cosmos. He will remain a director but without any right to represent the company.

Recruit Cosmos said its results reflected the high prices it achieved for its house sales. It forecasts a further strong rise in profits, to Y20bn, in the current year.

However, the company's shares have taken a beating since the scandal emerged, tumbling on the over-the-counter market from Y4,410 two weeks ago to Y3,110 yesterday.

Anglo American near Poseidon deal

By Our Johannesburg Correspondent

ANGLO AMERICAN, South Africa's largest mining group, is on the point of accepting a A$63m (US$50.7m) scrip offer from Poseidon, the Adelaide-based resources group, for Anglo American Pacific (AAP), the 58.8 per cent owned Western Australian subsidiary of Australian Anglo American (AAA).

AAA is itself owned by Anglo jointly with its De Beers and Minorco associates. The acceptance marks an end to several years of direct involvement in Australian mining and exploration, though in Johannesburg last night Mr Alan McKerron, the head of the group's new business division, said he expected continued technical liaison with Poseidon.

Mr McKerron says AAA will own about 14.5 per cent of Poseidon after the share swap. It also holds 10 per cent of Normandy, a company which in turn owns just less than 20 per cent of Poseidon.

Poseidon has offered two of its own shares for every nine AAP fully paid shares. Anglo has accepted, subject to Poseidon offering a further two transferable options for every 27 part-paid AAP shares. Each option will bear the right to buy one Poseidon share for A$2.50 cash.

AAA ended its Australian exploration programme a few years ago after spending about A$70m and finding no viable mineral deposits. It then switched its emphasis by investing directly in operating companies such as Mount Morgan and the Kalgoorlie gold tailings project. This latter venture, however, fell foul of anti-apartheid activists and a half share was transferred to the Western Australian Government's Gold Corporation

Mr McKerron says companies must be Australianised to be able to do business there.

INTL. COMPANIES AND FINANCE

American GNP data disappoint traders

By Dominique Jackson

EUROBOND dealers who had been hoping that the latest gross national product data from the US would set some kind of clearer direction for fixed income markets were disappointed yesterday.

Although lower than expected GNP growth initially boosted dollar bond markets, the implicit price deflator was at the higher end of expectations and the net effect of the data was thought by traders to be broadly neutral.

The softer tone of the dollar on European exchanges helped sterling bond markets which suffered a temporary setback on the news that the UK trade gap had exceeded £1bn. However, the pound held up well and gilts and Eurosterling managed to end with small net gains.

In West Germany, bond prices traced a similar pattern. An easier start sent the average yield on public paper to the highest level so far this year at 6.51 per cent. However, a brief flurry of activity followed the release of the US data and prices recovered to finish a little better overall.

Tuesday's DM500m seven-year Soviet bank issue saw some demand earlier in the day when it was bid at a discount of 1.85 against full fees of 2¼. This tailed off later on when it slipped to trade at around less 2.

INTERNATIONAL BONDS

Banque Paribas Capital Markets won a reportedly hotly contested mandate for a $300m deal for General Electric Capital Corporation which emerged as a seven-year deal pitched at 9½ per cent and 101½ for a yield margin at launch of 41 basis points over comparable Treasuries.

BPCM also led a C$65m three-year issue at 10¼ per cent and 101¼ for Banque Paribas Luxembourg, and expected to see fair demand from Continental investors. The lead manager said it was too early to indicate a trading level on either deal.

European retail accounts were the target on a A$60m deal for Société Générale via Bankers Trust International. The issue has a 3¼-year maturity and is pitched at 13¼ per cent and 101⅝. While Continental summer holidays have certainly curtailed demand for this type of paper, the deal was extensively pre-marketed while the strong co-management group, including Hambros and several European banks with good retail bases, was expected to ensure a fair reception. The deal was bid at a discount equal to its fees of 1½.

Deutsche Bank Capital Markets led a Ecu150m five-year issue at 8 per cent and 101½ for LVMH Moet Hennessy Louis Vuitton, the French luxury accessory, retail and drinks group.

At the same time the borrower issued a FFr900m three-year deal at 8½ per cent and 101⅛ via Credit Lyonnais, which is the book runner, and Banque Nationale de Paris.

The proceeds of today's borrowings will be used to cover nearly half of the estimated FFr4bn costs of acquiring a stake in Guinness, the UK drinks group, which LVMH agreed to take earlier this month in a complex deal involving cross-holdings.

In Switzerland, Credit Suisse brought Ishizuka Glass to the market with a SFr60m convertible five-year issue on which the coupon is indicated at ½ per cent.

The recent SFr150m issue for Cerus BV, with warrants exercisable into Société Générale de Belgique, ended its first day's trading at 97½, compared with its par issue price.

Outsiders for Budapest SE

By Our Financial Staff

INDIVIDUAL Hungarians as well as foreign companies and investors will be allowed to invest on Eastern Europe's only stock exchange when it opens next year in Budapest, the official MTI news agency said.

Earlier this week the agency reported that share purchases on the Budapest Stock Exchange, due to open on January 1 1989, would be restricted to members. It said the 26 banks and financial institutions involved in an existing bond market met on Tuesday to discuss stock market operations and had "confirmed plans to make it possible for other institutions and private persons to deal in securities."

The meeting elected a seven-member Stock Exchange Council, headed by Mr Zsigmond Jarai, deputy general manager of Budapest Bank, which will work out a charter for trading, along with a committee on ethical conduct.

TSB unit to securitise £135m of mortgages

By David Barchard

MORTGAGE EXPRESS, the TSB Group's mortgage lending arm, yesterday announced a £135m mortgage securitisation issue, the first ever by an institution regulated by the Bank of England.

The issue is being lead managed by Salomon Brothers International and is expected to earn a triple-A rating from Standard & Poor's, the US ratings agency.

Mortgage securitisation, the conversion by a mortgage lender of a number of mortgages into a security which can be sold and thus removed from its balance sheet, is commonly practised in the US.

The first UK mortgage securitisation took place early in 1987 and since then £2.5bn worth of home mortgages have been securitised and the volume appears to be growing rapidly.

The Mortgage Express issue is the 10th British securitisation package this year. The operation is particularly attractive to mortgage lenders which have no deposit base and fund directly from the wholesale markets. It enables them to expand the volume of business they can do on a limited capital base.

The coupon will be tightly priced at three-month London interbank offered rates (Libor) plus 30 basis points, slightly under the *32.5 basis points* above Libor regarded by the market as the best coupon pricing on AAA issues. After 10 years the coupon price will rise to Libor plus 50 basis points.

The issue's AAA rating is based on the quality of the insurance it has been given by Eagle Star, backed up by Homes International.

Mortgage Express says the portfolio consists of high quality endowment mortgages, with an average size of £53,000, which have been in existence for at least six months.

The buyers are expected to include Japanese, European and UK financial institutions. Mortgage Express said the issue was the first of a number *it was planning to enable it to* make more efficient use of its capital resources.

Korea business fears rates rise

By Maggie Ford in Seoul

LEADING South Korean companies are intensifying their campaign against the Government's plan for financial liberalisation, starting with deregulation of bank interest rates later this year.

The argument over liberalisation, which is supported in principle by almost all businessmen, has previously centred on the pace of change from the current highly controlled system. Recent announcements by Mr Sakong Il, the Finance Minister, over interest rates have heightened attitudes in the private sector about the way to manage what could be a revolutionary reform.

Big companies fear that a liberalisation of interest rates, at present controlled by the Government at around 12 to 13 per cent for corporate customers, will trigger a big rise in the cost of borrowing in a market desperately short of liquidity: Rates in the unofficial short-term market in South Korea are currently at or above 20 per cent, and companies are severely restricted in their borrowing opportunities.

The companies believe that the only way to deregulate interest rates in an orderly fashion within the current strongly controlled market is to set up simultaneously a modern money market. At present, the South Korean banking system operates under such tight constraints that the interbank market scarcely functions at all.

The Government this month placed its toe in the waters of financial reform by removing the controls on fee income and foreign exchange commissions earned by South Korea's commercial banks. By the end of this month, the banks, which earn more than 50 per cent of net profits from fee income, had lowered their commission on letters of credit but had not felt confident enough to compete with each other on rates.

Foreign bank branches, which also do substantial letter of credit business, had undercut the local banks and were waiting for the first local bank to follow suit.

According to the business community the main problem facing financial reform is the Government's lack of commercial experience. "They are all academic theorists," said one prominent businessman, "without any feeling for the marketplace."

Business resistance to the liberalisation of interest rates has been met by several government proposals for interim measures, including the idea of a "reference rate" under which the whole interest rate system would harmonise gradually.

The independence of the central bank, currently under control of the ministry, is also at the centre of the reform debate. The central bank believes that in the move to free market forces the business environment, especially the local banks, should be relieved of historical burdens so that they will be competitive. These burdens include at least $5bn of non-performing assets resulting from forced government-sponsored rescues of ailing companies.

The ministry believes that once interest rates are deregulated market forces will create the neccessary atmosphere for changes.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on July 27

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	94⅛	94½	-0⅛	-0¼	9.45
All Nippon Air 9⅞ 97	100	†94⅞	95⅜	-0⅛	+0⅛	10.23
Amer. Brands 8⅞ 92	150	†97⅞	98⅛	-0⅛	+0⅛	9.54
A/S Eksportfinans 7⅝ 93	100	†92⅝	93⅛	-0⅛	+0⅛	9.35
A/S Eksportfinans 7¼ 92	150	†94⅞	95⅛	-0⅛	+0⅛	9.00
Austria 10 98	100	†102½	103	-0⅛	+0¼	9.55
Barc. Bk. Fin. 10¼ 89	200	†101⅝	102⅛	-0⅛	0	8.67
Belgium 9¼ 92	400	†99⅝	100⅛	-0⅛	+0⅛	9.15
British Telecom 7⅝ 96	250	89	89⅜	-0⅛	0	9.59
Cal.Natl.Telecom 8⅛ 93	160	†98⅛	98⅝	-0⅛	+0⅛	8.92
Canada 9 96	1000	†97⅞	98¼	0	-0¼	9.36
Canadian Pac 10¼ 93	100	†103	104	0	-0¼	9.80
C.C.C.E 7⅛ 91	113	†94½	95	-0⅛	+0⅛	9.04
C.C.C.E 9¼ 95	300	98⅜	98½	0	-0⅛	9.57
C.N.C.A 7¼ 91	150	†93⅞	94⅜	0	-0¼	9.32
Credit Lyonnais 9 91	200	†100	100½	-0⅛	+0⅛	8.85
Credit National 8¼ 93	200	96	96½	0	0	9.24
Credit National 7⅜ 92	100	94⅛	94½	-0⅛	-0⅛	9.24
Credit National 7¼ 91	150	†94⅝	95⅛	-0⅛	+0⅛	9.05
Denmark 7⅛ 92	500	†93⅛	93⅞	-0⅛	+0⅛	9.26
E.E.C. 7 91	100	94⅛	94⅝	0	-0⅛	8.99
E.E.C. 7¼ 93	250	92½	93	0	-0⅛	9.23
E.E.C. 8 90	350	†98⅝	99¼	0	-0⅛	8.64
E.I.B. 7⅜ 93	100	93	93½	0	0	9.25
E.I.B. 9⅜ 97	150	98⅜	99⅛	0	-0⅛	9.54
Elec.De France 9 98	200	95¼	95⅜	0	0	9.72
Finland 7⅞ 97	200	88¾	89⅜	-0⅛	-0⅛	9.82
Finland 7½ 93	200	†92⅝	93⅛	-0⅛	0	9.30
Finn.Exp.Cd. 8½ 92	200	98¼	98¾	0	0	8.97
Ford Motor Credit 8 91	250	97¼	97¾	0	0	9.07
Gen Elec Credit 10¼ 00	200	100⅝	101⅛	0	-0⅜	10.11
G.M.A.C. 8 89	250	99	99½	0	0	8.75
G.M.A.C. 8¼ 89	200	99⅝	100	-0⅛	-0⅛	0.09
Halifax BS 9½ 93	200	†99⅞	100⅜	0	+0⅛	9.46
Hoesch 8¼ 97	100	†93¼	93⅝	-0⅛	+0⅛	9.39
Italy 9 90	1000	100¼	100½	-0⅛	-0⅛	8.83
L.T.C.B of Japan 8 91	100	†97¾	98¼	-0⅛	+0¼	8.77
L.T.C.B. of Japan 8 97	200	88½	89⅛	-0⅛	+0¼	10.01
Mercds-Benz Cd. 8½ 95	100	95	95⅜	-0⅛	-0⅛	9.51
Metropolis Tokyo 9½ 93	200	101	101⅜	0	+0⅛	9.15
Morgan Guaranty Tst. 7 90	150	96⅞	97⅜	0	0	8.93
Norway 8¼ 93	500	98¼	98⅞	0	+0⅛	9.10
Pepsico Inc 7⅛ 93	200	†91¾	92¼	0	-1⅛	9.52
Portugal 8¼ 91	300	†97⅞	98⅜	-0⅛	+0¼	9.04
Prudential Crp. 8¾ 94	125	98	98⅜	-0⅛	-0⅛	9.17
Qantas Airways 10⅜ 95	140	103¼	103½	0	-0¼	9.71
Saskatchewan 10¼ 92	100	104⅛	104⅜	+0⅛	0	9.23
State Bk S Aust 9¼ 93	100	99	99⅜	0	-0⅛	9.47
Swed Exp Cred 7¼ 91	100	*†94⅞	94⅞	0	-0⅛	9.05
Swed Exp Cred 10 92	100	†102⅜	102⅞	-0⅛	+0¼	9.14
Sweden 7 91	250	94⅜	94⅞	0	-0⅛	8.99
Sweden 7 92	250	†93⅞	94⅜	-0⅛	+0⅛	8.98
Sweden 8¼ 96	200	95½	96	0	-0¼	9.56
Sweden 8½ 92	200	†98	98½	0	-0¼	9.03
Victorian Rep 11⅝ 92	150	106⅝	107⅛	-0⅛	-0⅛	9.34
World Bank 7 92	300	*†94⅛	94⅝	0	-0⅛	9.00
World Bank 9 97	300	96¾	97¼	0	0	9.51
Yasuda Trust Fin 8½ 93	100	96⅛	96⅝	0	+0⅛	9.45

Average price change... On day 0 on week 0

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	99½	100¼	+0⅛	-0⅛	6.02
Avis Fin.SVS 5⅞ 92	100	†100½	101	+0⅜	+0½	5.63
Bank of Tokyo 5¾ 93	100	†100¼	100¾	-0¼	-0½	5.61
Central BK. Turkey 7 92	200	†103	103½	+0⅜	-0¼	6.09
Commerzbank o/s. 5⅜ 93	300	†98½	99	-0⅛	-0⅛	5.69
Degussa Int. 6⅛ 97	200	98⅞	99⅝	0	-0⅛	6.24
E.I.B 5¾ 98	150	96⅜	97⅛	+0¼	+0⅝	5.94
E.I.B 6 97	300	97¾	98½	0	+0⅛	6.28
E.I.B. 6½ 96	300	98⅜	99⅛	0	0	6.33
E.I.B. 6⅛ 97	400	98¼	99	+0⅛	+0⅛	6.33
E.I.B. 6⅞ 95	300	102⅛	103⅛	0	-0¼	6.34
Euro.Coal& Steel 5⅞ 97	175	96	96¾	0	+0⅜	6.43
Eurofima 6¼ 96	100	100⅛	100⅞	0	+0⅝	6.17
Elec De France 5¾ 97	300	96	96¾	+0⅛	-0⅛	6.29
Forsmark Krtg. 5⅛ 93	200	97½	98	-0¼	-1½	5.69
I.A.D.B. 6 97	200	96⅝	97⅜	-0⅛	+0⅜	6.45
Japan Dev. Bk. 5⅝ 95	300	†96	97	-0⅜	-0¼	6.02
Japan Finance 5¾ 97	100	94½	95¼	0	-0¼	6.54
Ireland 6½ 97	300	†98½	99	-0⅛	-1	6.69
Korea Dev BK 6⅝ 93	100	101⅝	102⅜	0	-1⅛	6.13
Malaysia 6¼ 94	150	99	99¾	0	+0⅜	6.38
Nat. West BK. PLC 6 98	300	95¼	95¾	0	-0⅜	6.64
Oesters. Kontbk. 5 93	300	97⅜	98⅛	+0⅜	+0¼	5.57
Portugal 5⅝ 93	150	100⅛	100⅞	+0¼	0	5.61
Portugal 6⅝ 95	150	101½	102¼	+0⅜	+0⅛	6.28
Privatbanken 5⅛ 93	150	98	98½	-0¼	-0⅛	5.68
Royal Insurance 5½ 92	300	†99¼	99¾	-0⅛	-0⅛	5.64
Soc Cent Nucleur 7¼ 95	150	103¼	103⅞	-0⅛	+0⅛	6.60
Turkey 6½ 95	500	†97¼	97¾	0	-0¼	6.97
Westlb. Finance 5 93	200	†99⅛	99⅞	0	0	5.18
World BK. 6¼ 97	600	99	99¾	0	+0¼	6.38

Average price change... On day +0 on week -0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 5⅜ 96	100	†102¼	102¾	+0¼	+0¼	5.23
Asfinag 5 02	150	†99	100	-0¼	-0⅜	5.05
Bk. Frgn.Econ. Ussr 5 98	100	†100	100½	0	0	4.96
Bayer W/W 2½ 02	250	†99¼	99½	+0¼	-0⅛	2.55
Bayer. Vrssbk. 0s 4⅝ 98	100	†99	99½	+0½	+0¾	4.85
Elec.De.France 5 07	100	†99	100	+0⅜	+2⅛	5.04
E.I.B. 4⅝ 97	200	†99⅞	100⅛	-0¼	0	4.75
E.I.B 4⅝ 97	200	†98½	98¾	0	+0¼	4.82
Enso Gutzeit 5 99	100	†100	100¼	-0⅛	-0⅛	4.98
Ireland 5 02	150	†97	97½	-0½	-1¼	5.28
Nippon Suis.Ksha. 4⅛ 93	80	†102	103	-0¼	+1¾	4.05
Occidentl. Petrol 5⅜ 92	100	*†102⅜	103	0	-0⅜	4.84
Prov.of Manitoba 4⅞ 02	200	†99½	100	-0⅛	+1¾	4.78
Prudential Fin. 4⅞ 98	200	†98⅜	98¾	0	+0⅜	4.95
Qantas Airways 4⅞ 97	110	†97¼	98	+0⅜	+0½	5.05
Trans-Can. Pipe 4⅞ 94	100	*†99⅞	99⅞	0	+1¼	4.89
Unflg. 5½ 96	120	†102⅝	103	-0⅛	+0¼	5.02
Victoria Pub.Ath.5⅝ 03	118	†99¾	100⅛	+0¼	-0⅛	5.37
World Bank 5 02	200	†99¼	99½	0	+0⅛	5.06

Average price change... On day +0 on week +0¼

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅜ 92	55	100⅞	101⅛	0	+0⅜	5.11
Belgium 4⅝ 94	45	95⅞	96¼	+0⅛	+0⅜	5.41
Canada 4½ 92	80	97½	97¾	0	0	5.06
Elec. De France 5⅛ 94	20	98¾	99¼	0	+0¼	5.33
Ireland 5⅛ 93	30	99⅝	100⅛	0	+0¼	5.15
Norway 5⅛ 95	50	98¼	98½	0	+0⅜	5.42
Rep. of Italy 5¼ 92	150	102⅜	102⅝	+0⅛	+0⅜	4.96
Sweden 4⅝ 93	50	97⅜	97⅝	0	+0¼	5.22
World Bank 5½ 92	50	101⅞	102⅛	+0⅛	+0⅛	4.95

Average price change... On day +0 on week +0¼

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat.BS.10¼ 93 £	50	98⅝	99⅛	0	+0½	10.54
Alg. Bk. Ned. 5½ 92 FL	150	99¼	100	-0⅛	-0¼	5.61
Amro Bank 6¼ 92 FL	150	100½	101⅛	-0⅛	+0⅛	6.03
Barc. Aust. 14 91 A$	20	101⅛	101⅝	0	+0¼	13.39
Barc. Bk. 10¼ 97 £	250	96⅛	96⅝	0	+0½	10.86
BP Capital 9¾ 93 £	100	97¼	97¾	+0⅛	+0⅜	10.42
British Airways 10 98 £	100	94⅝	95⅛	-0⅛	+0⅜	10.86
C.I.B.C.Mort.10⅞ 93 C$	100	†100¼	100⅝	0	+0⅛	10.57
Coop.Ctr.Rabo.6¼ 93 FL	100	100⅝	101⅛	0	-0¼	6.01
Coop.Ctr.Rabo.6 92 FL	200	100⅜	100⅞	0	+0⅜	5.81
Denmark 7¾ 92 ECU	100	100½	101	0	-0¼	7.47
Deutsche Bank 9⅞ 97 £	75	†95	95½	0	+0¼	10.72
Deut.Bk.Aust.12¾ 95 A$	70	99⅝	100	0	+0⅛	12.80
E.I.B 10⅛ 98 C$	130	†98⅝	99⅛	0	+0⅛	10.29
E.I.B 8⅜ 93 LF	10	100⅞	101⅞	-0⅛	0	8.22
Elec.France 10¼ 95 C$	125	†99¾	100¼	0	+0¼	10.24
Euratom 7⅞ 97 ECU	145	95⅜	95¾	0	-0⅛	8.10
Eurofima 7½ 92 FL	50	†105	105¼	0	-0¼	5.86
Fed.Bus.Dv.Bk.9⅞ 92 C$	75	†99⅛	99⅝	0	+0⅛	9.93
Ford Cr.Can.10¼ 93 C$	100	†101	101½	0	-0⅛	10.35
Gillette Can. 9⅝ 93 £	70	94⅛	94⅝	-0⅛	-0⅛	11.12
G.M.A.C. 9¾ 93 C$	150	†97⅜	97⅞	0	0	10.38
G.M.A.C. 9¼ 92 C$	75	†99¾	100¼	0	0	9.23
G.M.A.C Aus.Fin.14 90 A$	50	100⅞	101½	+0⅛	+0¼	13.30
Halifax BS 10⅜ 97 £	100	97	97⅜	-0⅛	+0½	10.88
Heineken NV. 6½ 91 FL	150	†101½	102¼	0	+0⅛	5.66
Imp Chem Inds 10 03 £	100	95⅞	96⅜	+0⅛	+1⅛	10.52
Inv.Industry Int.10 93 £	60	97⅝	98⅛	0	+0⅜	10.57
Lloyds Bank 10¼ 98 £	150	94⅝	95⅛	0	+0½	11.12
Mtge.Bk.Den. 6¼ 91 FL	100	102	102¾	0	+0¼	5.72
Nat.Australia 14 92 A$	50	100⅞	101⅜	0	-0⅛	-0.11
Nat. West.Bk.13⅛ 92 A$	90	†99¼	99¾	0	-0⅜	13.23
Nationwide BS 10⅛ 93 £	75	97⅞	98⅜	0	+0½	10.62
Ned.Midd.Bank 6 92 FL	150	100⅛	100¾	0	0	5.87
New Zealand 9½ 93 £	100	95½	96	-0⅛	+0¼	10.66
New Zealand 7¾ 93 ECU	200	100¼	100⅞	0	0	7.60
Oesters.Ktbk.13⅝ 94 A$	75	102⅛	102⅝	+0¼	+0¼	13.02
Prudential Fin.9⅝ 07 £	150	88⅜	89⅛	+0⅛	+0½	10.77
Royal Bk.Scot.10⅝ 98 £	125	97	97½	0	+0⅝	11.13
S.D.R. 7¾ 95 ECU	90	99	99⅜	-0⅛	+0⅛	7.91
Wstd.Lb.Fin. 12½ 93 A$	50	†99½	100	0	+0¼	12.53
World Bank 5¾ 92 FL	100	100¼	101	-0⅜	-0½	5.55
World Bank 13⅛ 92 A$	100	†100½	101	0	0	13.12

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bld 94 £	.08	99.37	99.42	21/07	8.33
Belgium 91 US	0	100.23	100.33	22/08	7
Britannia 5 93 £	0⅛	99.63	99.68	10/10	10.37
Chase Manhattan Crp.91 US	0 1/16	99.28	99.46	22/08	6.94
Citicorp 98 US	†0¼	96.85	97.10	31/08	7.69
EEC 3 92 DM	†0	100.33	100.43	22/08	3.56
Halifax BS 94 £	.1¼	99.65	99.70	9/08	8.47
Invt. In Industry 94 £	0	99.62	99.72	24/08	7.81
Leeds Perm. B/S. 94 £	0⅛	99.83	99.88	13/01	10.44
Midland Bank 01 £	.1	94.56	95.31	11/08	8.54
Milk Mkt. Brd. 5 93 £	0 1/16	99.52	99.57	30/09	10
New Zealand 5 97 £	.07	99.93	100.04	18/08	7.81
New Zealand 5 01 US	0	99.55	99.98	4/08	6.98
State Bk. Nsw. 98 US	.188	100.47	100.57	11/08	7.09
United Kingdom 5 92 US	*†0	100.06	100.06	7/01	7.81
Woolwich Equit. BS. 93 £	0⅛	99.50	99.55	15/07	5.12
Woolwich 5 95 £	0⅛	99.28	99.33	19/08	7.87

Average price change... On day 0.00 on week 0.00

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	103⅛	104⅛	+0¼	26.27
Alco Health 6¼ 01 US	†7/86	26.25	110⅛	111⅛	0	0.89
Amer. Brands 7⅞ 02 US	9/87	56.7	100⅞	101⅞	-0⅞	21.54
Ashikaga Bank 2⅛ 02 US	4/87	967.	128⅛	130⅛	+0¼	4.01
Asics 5 92 DM	12/83	472.7	201⅛	202⅛	+2	4.99
CBS. Inc. 5 02 US	†4/87	200.	90	91	+0⅝	14.56
Fujitsu 3 99 US	5/84	1106.	275	276	+0½	0.72
Kinki-Sogo Bk.2⅞ 03 US	4/88	1069.	122½	124⅛	+0¼	0.69
Land Secs. 6¼ 02 £	6/87	6.72	95⅛	96⅛	+1¼	15.26
MCA INC 5½ 02 US	9/87	69.62	80¼	81¼	0	35.50
Minolta Camera 2¼ 94DM	2/86	1004.	102¼	103¼	+0½	17.04
Mitsubishi Bk.1¾ 02 US	9/87	3157.	105¼	106¼	+0⅝	7.14
Mitsui Trust 2⅞ 01 US	10/86	1903.	122⅞	124½	+5¼	5.82
Next Plc 5¾ 03 £	11/87	4.3	100⅛	101½	+0¼	83.25
Nishi Nipn.Bk.2⅞ 03 US	4/88	804.	114⅞	115⅞	+0¼	3.07
Omron Tateisi 2⅞ 02 US	4/87	1310.	224½	226	-0¼	3.47
Primerica 5½ 02 US	4/87	66.75	64⅛	65⅛	-1⅛	72.55
Ranks Hovis 4⅝ 03 £	†1/88	3.5	131¼	132¼	-1	-1.07
Redland 7¼ 02 £	1/87	5.4	89⅝	90⅝	-0¼	15.05
Saatchi&Stchi.6⅛ 03 £	†10/89	4.41	99⅛	100¼	0	23.38
Texas Inst. 2¾ 02 US	9/87	82.87	76⅞	77⅞	+0¼	45.50
W.R. Grace 6¼ 02 US	9/87	42.12	84⅛	85¼	0	38.44

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal acount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTL. COMPANIES AND FINANCE

UK gives up key Amersham share

By Andrew Taylor in London

The UK Government yesterday gave up its "golden share" in Amersham International, the health care and medical research products group which was privatised in 1982.

The special rights preference share, redeemed for £1, has prevented any shareholder or groups of shareholder from controlling more than 15 per cent of Amersham.

Announcing the redemption, Mr Cecil Parkinson, Energy Secretary, said the golden share had been designed to protect company from an unwelcome takeover bid while it found its feet after privatisation.

"I think it no longer necessary for the protection to continue and have therefore decided to exercise the option open to me and to redemm the special share forthwith," told MPs in the House of Commons.

Amersham's share price after yesterday's announcement rose 25p to 470p valuing the company at £235m ($400m).

Golden shares have been taken by the UK Government in 12 of the 17 major privatisation issues to have taken place since 1979. Amersham is the first golden share to be redeemed.

Other golden shares are held in British Aerospace, Cable & Wireless, Britoil, Enterprise Oil, Jaguar, British Telecom, British Gas, Royal Ordinance, British Airports Authority, Rolls Royce and Sealink.

The Government earlier this year threatened to use its golden share for the first time to veto a takeover bid by British Petroleum for Britoil.

Mr Nigel Lawson, Chancellor of the Exchequer, agreed to allow the £2.5bn takeover to go ahead only after BP gave undertakings to develop its North Sea oil assets and maintain employment in Scotland.

BP is one of five privatisation issues in which the Government did not take a golden share. The others were: National Freight Corporation, Associated British Ports, British Shipbuilders and British Airways. Dr Stuart Burgess, Amersham chief executive, said the redemption did not affect the company's articles of association. These required shareholders seeking to control more than 15 per of the company's equity to get the approval of 75 per cent of shareholders.

The privatisation of Amersham in February 1982 raised £71m. The issue was heavily oversubscribed, and the Government was was strongly criticised after the shares – issued at 142p – opened in the market at 190p.

Amersham increased its pre-tax profits in the year to the March 31 by 14.5 per cent to £25.8m compared with £22.1m the previous year. Sales rose from £148m to £165m.

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Pru votes against Rothmans payment

By Ray Bashford in London

TWO largest institutional shareholders in Rothmans International, the UK-based tobacco group, have voted against a £750,000 ($1.3m) retirement payment to Sir RobertCrichton-Brown who tomorrow steps down as executive chairman.

Prudential Assurance and Standard Life Assurance have cast proxy votes against the payment which will be considered by shareholders at tomorrow's annual general meeting.

M & G, another large shareholder, will make a decision today but has already expressed reservations about the payment during a meeting with senior Rothmans executives.

The Prudential and Standard said they are opposed in principle to one-off cash payments to retiring executives and are particularly concerned about the size of the proposed payment to Sir Robert.

"It is difficult enough to determine what level of salary an executive director should receive but when it comes to a payments of this size it is time to draw the line," a spokesman for one of groups said.

The spokesman also said that his group would vote against any other similar payments and that the position that has been adopted on Rothmans should be taken as a "policy statement."

The fund manager at another large institution which, in line with group policy, will not vote on this issue described the payment as "pretty outrageous".

Rothmans announced the proposal to make the payment earlier this month and said that it was in recognition of Sir Robert's contribution in reshaping Rothmans and strengthening its financial position.

At the same time the company disclosed that Sir Robert's emoluments in the 12 months to March this year rose by £67,647 to £298,184.

Sir Robert, a 69 year-old Australian who retired earlier this year as a non-executive director of Rothmans Australia and is a prominent member of the country's business community, took his post on the parent company's board in January 1985.

During his three years in the post Sir Robert has received emoluments of £758,582. Approval of the retirement payment would lift the total remunerations to over £1.5m.

Mr Malcolm Thompson, Rothmans finance director, said yesterday that the payment would be discussed at the meeting in the Dorchester Hotel prior to a show of hands on the payment.

If the count is close, a proxy count could take place. However, as the two largest shareholders - the Rembrandt Group of South Africa and Philip Morris of the US - control 68 per cent of the voting shares there appears little doubt that the payment will be approved.

Mr Thompson said that 90 per cent of the unaudited proxies so far received, including the two major shareholders, had supported the payment. The Prudential and Standard control slightly over 2 per cent of the shares.

NORTH AMERICAN QUARTERLY RESULTS

AMP
Electrical equipment

	1988	1987
Second quarter	$	$
Revenues	687.4m	585.9m
Net income	84m	62.5m
Net per share	0.78	0.58
Six months		
Revenues	1.34bn	1.11bn
Net income	161.6m	116.7m
Net per share	1.50	1.08

GM HUGHES ELECTRONICS
Defence, aerospace*

	1988	1987
Second quarter	$	$
Revenues	2.87bn	2.62bn
Net income	163.9m	140.8m
Net per share	0.50	0.44
Six months		
Revenues	5.54bn	5.31bn
Net income	378.6m	278.8m
Net per share	1.13	0.88

* Subsidiary of General Motors

GOTAAS-LARSEN SHIPPING
Shipping

	1988	1987
Second quarter	$	$
Revenues	66m	59.6m
Net income	17.6m	7.9m
Net per share	1.29	0.58
Six months		
Revenues	128m	111.6m
Net income	32.5m	15.8m
Net per share	2.38	1.16

IRVING BANK
Banking

	1988	1987
Second quarter	$	$
Assets	24.1bn	24.1bn
Net income	169.9m	‡142m
Net per share	8.85	‡7.87
Six months		
Net income	222.3m	‡113.4m
Net per share	11.56	‡6.36

‡ Loss

JOHNSON CONTROLS
Industrial products

	1987/8	1986/7
Third quarter	$	$
Revenues	792.9m	668.3m
Net income	24.3m	19.1m
Net per share	0.63	0.46
Nine months		
Revenues	2.27bn	1.95bn
Net income	75.1m	57.9m
Net per share	2.00	1.40

KERR-McGEE
Energy, resources

	1988	1987
Second quarter	$	$
Revenues	730m	726m
Net income	35.8m	27.3m
Net per share	0.74	0.56
Six months		
Revenues	1.39bn	1.27bn
Net income	46.1m	47.5m
Net per share	0.95	0.98

KIMBERLY-CLARK
Paper products

	1988	1987
Second quarter	$	$
Revenues	1.34bn	1.22bn
Net income	100.1m	83.8m
Net per share	1.25	0.94
Six months		
Revenues	2.63bn	2.41bn
Net income	193.4m	158.9m
Net per share	2.41	1.76

LORAL
Defence, aerospace

	1988/9	1987/8
First quarter	$	$
Revenues	337.8m	317.8m
Net income	19.6m	15.6m
Net per share	0.78	0.64

MANAGEMENT: Marketing and Advertising

Dry beer's main feature is that it is stronger and therefore slightly less sweet than the average Japanese brew; demand is such that all brewers are producing to the limits of capacity

How Japan went 'dry' with more alcohol

Stefan Wagstyl reports on a thirst for a new-style beer

It is a commonplace in the brewing industry that drinkers are as likely to change their taste in beer as to go to a bar and order milk.

From Yorkshire and the Yukon to Yokohama, the belief is that people are so conservative about their drinking habits that it takes years of marketing effort to persuade them to change their minds.

But in the last year, a Japanese brewing company has blown a hole in this theory with a hugely successful new drink called Dry Beer.

In a market where a one per cent gain in market share is hailed as a victory, Asahi Breweries has, since early 1987, virtually doubled its share of the Japanese beer market to over 20 per cent.

Demand for the wonder brew outstrips production to such an extent that Asahi has forbidden its employees from buying it. Some Tokyo liquor stores have to ration their customers.

Many of the reasons for Asahi's coup are unique to Japan – notably the current explosion of spending on consumption and leisure. But brewers elsewhere are eagerly studying Dry Fever – not least because Asahi is launching the brew in the US and is considering introducing it to the UK.

"What has happened in the Japanese beer market will become a textbook case of marketing," says Junzo Yabe, an executive at Kirin, Asahi's rival and Japan's biggest brewer.

Dry Beer's main feature is that it is stronger than the average Japanese brew; its alcohol content is 5 per cent as against the usual 4.5 per cent. This makes it slightly less sweet than regular beer – but many drinkers would be hard put to tell the difference. The whole story lies in Asahi's marketing of the brew.

Asahi came to launch Dry Beer not out of choice but out of necessity. Established after the war to challenge Kirin and Sapporo, Japan's number two brewer, Asahi expanded strongly under the leadership of its founder Tamesaburo Yamamoto who died in the late 1970s.

After his death, Asahi suffered from a lack of firm management; market share slipped below 10 per cent. But when the current president, 70-year-old Hiroharo Higuchi, took control in 1986, he rapidly put into effect the changes which have transformed Asahi's fortunes.

The key to the strategy was a new emphasis on the company's corporate identity and on improving contact with the customer. Naoki Izumiya, an Asahi public relations manager, says the company had suffered from a decline in awareness of the Asahi brand among consumers, who were becoming increasingly loyal to Kirin, the market leader with a 60 per cent share.

Moreover, production rather than marketing dominated corporate thinking at Japanese breweries, including Asahi. As a result, brewers had got used to operating in the belief that "customers would drink whatever the brewer said was good for them," says Izumiya.

Higuchi's answer was to launch a huge market research survey in which 5,000 people were polled at stores throughout Japan about their tastes in beer. Asahi says it was the first time any brewer had gone out to its customers in this way. Kirin acknowledges that the scale was unprecedented in an industry which typically polled 1,000 or 2,000 people.

Drinkers told Asahi they wanted a beer which was strong in taste and alcohol content but which did not leave any lingering after-taste. The answers were the basis for the invention of dry beer.

But even before Asahi's scientists got busy in the laboratory, its marketing executives set to work in the field. First they relaunched Asahi's regular brew in a hard-hitting campaign aimed at reaching out directly to customers. The company gave away 1m cans of free beer at stores throughout the country.

In order to raise its corporate profile, Asahi redesigned its labels to emphasise the word "Asahi" instead of an old-fashioned rising sun. It gained maximum impact by recalling from liquor stores all cans and bottles with the old-style labels and replacing them with new stock.

The result was a worthwhile 10 per cent increase in sales in 1986 to Y259bn. So Asahi was encouraged to bring out its new secret brew, Asahi Super Dry, in March 1987.

The company expected Super Dry to be a modest success on the same scale as the repackaged regular beer. It was launched with a similar marketing campaign – complete with the distribution of another 1m cans or so of free beer.

The initial hope was to sell the equivalent of 1m cases (each of 20 bottles of 633ml) by the end of the year. In the event 13.5m were sold by the end of December and a further 27m by the end of last month. Dry Beer fever had taken a grip on Japan.

Other brewers watched in amazement before launching their own brands of dry in early 1988. Asahi initially complained that its rivals were stealing its ideas – but cut short its protest when it saw that one effect of the competitors' advertising was to boost sales of its own brew.

The result is that dry beer now accounts for between 20 and 25 per cent of the Japanese beer market, with all the brewers producing "dry" to the limits of production capacity.

But the clear winner is Asahi which is now within a whisker of overtaking Sapporo as Japan's second largest brewer, with a 20.5 per cent market share in June against Sapporo's 21 per cent. The biggest loser has been Kirin, whose market share dropped last month below 50 per cent for the first time in more than a decade.

A number of elements lies behind Asahi's success. The first is the company's decision to emphasise direct marketing. It persuaded customers that it valued them – not least by asking them what they wanted and then giving away free samples. Kirin says direct marketing was crucial for Asahi and it is now following suit promoting tasting parties and cookery classes. "Before we had too much confidence in the power of the Kirin brand," says Yabe.

Kirin also concedes that Asahi was very clever in the image it created for Super Dry.

In contrast to previous beer advertising which played on beer's supposed association with nature by showing pictures of rolling fields and blue skies, Asahi gave "dry" a strong male image. Advertisements featured a well-known Japanese war correspondent drinking beer in front of a view of what might be the Gulf. Kirin countered with film star Gene Hackman, famous for his tough roles, and Sapporo with champion boxer Mike Tyson, but they have not dislodged Asahi's carefully crafted appeal.

However, none of this would have worked if Japanese drinkers had not been ready for a new beer. As is obvious with hindsight, Asahi capitalised on the huge expansion of consumer choice in Japan generated by the country's economic growth. In everything from cars to cosmetics, Japanese shoppers are being offered alternatives. So they were ripe for an increased choice in beer.

Moreover, brewers say that in the last 10 years, the proportion of drinkers born after 1945 has come to exceed the pre-war generation. The post-1945 group are much less conservative in their drinking habits – and in their tastes in many other fields.

These young drinkers were the driving force behind a boom in the early 1980s in the drinking of Shochu, a vodka-like Japanese spirit. Shochu was traditionally drunk neat – but Western-influenced young people started drinking it in cocktails. However, after about five years, drinkers tired of shochu and were ready to be tempted by dry beer.

Asahi concedes that sales of dry beer are now probably unsustainably high. But the company believes the market will fade rather than collapse – and dry beer will retain an important position.

At Kirin, Yabe says that the Japanese beer market will never be the same again. Brewers will be much more aware of the need to develop new brews, not just in competition with each other but also in competition with the shochu and sake manufacturers and with importers of foreign drinks. "This has been a very good lesson. It shows we must fight to survive in the liquor market."

Fashion fads

Watches mark time

Manufacturers have become victims of their own marketing success. **Christopher Parkes** reports

The world watch industry has paid the inevitable price for its energetic performance in 1986. Output, which surged 20 per cent in that year, rose a mere 3 per cent last year as the market sagged under the surfeit.

Japanese makers suffered badly. Squeezed between the ascending yen and descending prices, recent volume growth of between 10 per cent and 20 per cent a year collapsed to only 1 per cent. According to Citizen Watch, which produced almost half the 197m watches made in Japan and 15 per cent of world output, the value of Japanese sales dropped 19 per cent to Y245.5bn (£1bn).

In common with arch-rival Seiko and other Japanese makers, Citizen has attempted to cope with the yen by moving production overseas to Hong Kong, Taiwan and Thailand, but even this tactic appears to be of limited value.

It helped Citizen push through 12 per cent more volume, but the value of sales was unchanged in 1987. By the end of this year the company will be making 60 per cent of all its watches abroad.

Canny Hong Kong companies, which have come to dominate the cheaper end of the world market have also been busy "exporting" production. Most manufacturing of low-price digital watches has been switched to mainland China, while production in Hong Kong has been concentrated increasingly on fashionable analog models, with faces and hands – and higher margins.

Few can match the flexibility or the low labour costs at the command of the Crown Colony's manufacturers, and the price erosion which these factors encourage offers a distinct threat to the prospects of mid-price range watches without a strong brand franchise. It is becoming increasingly difficult for the untrained eye to distinguish quality except at the very top end of the market, and Hong Kong's emergence has reduced a vast chunk of the trade to something approaching commodity status.

In Japan, for example, a country supposedly populated with status-obsessed consumers, 85 per cent of the market is accounted for by watches ranging up to $80 each. With 3 per cent of sales going to $400-plus models like Rolex, the mid-range operators like Citizen and Seiko have been caught in a pincer movement.

Like other consumer durables industries operating in saturated markets, the watch business needs innovation if it is to grow. The concept of the Swatch, a highly decorative plastic fashion watch, helped reverse the decline in Swiss volume output in the 1970s.

Now, Citizen says, sales have peaked. Total Swiss watch output fell 3 per cent last year, although price increases on the top models such as Rolex and Accurist helped prevent a drop in the value of the industry's production.

Having come full circle in face design, from analog to digital and now back to analog again, and with all and sundry mimicking the Swatch style, there has been no real innovation for almost 10 years.

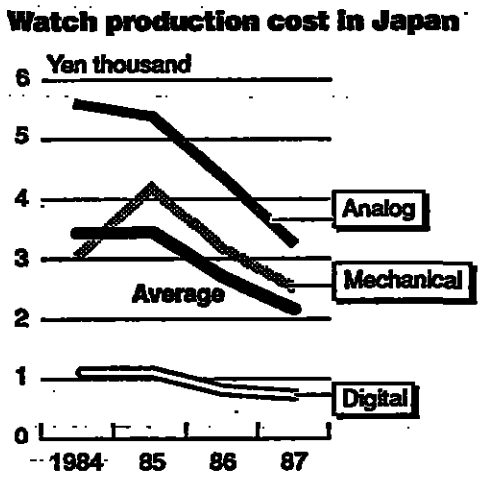
Watch makers are also victims of their own technological success which has greatly extended product life and adversely affected the replacement cycle. Even relatively cheap quartz watches are virtually indestructible and maintenance-free apart from the occasional need to replace the battery.

Also, in spite of some costly promotional efforts, most brands apart from the top rank Swiss and couture names like Cartier are relatively little recognised because of the lack of product differentiation.

The mainstream makers' attempts to push their brands up-market are not helped, in Britain at least, by retailers which commonly use watches in cut-price promotions, and the increasing inroads into the market being made by discount catalogue shops and mail order houses.

For recent evidence that the mass-market wrist-watch has lost much of its cachet, Japanese manufacturers had to look no further than their local shopping streets where 35mm film was being sold with a free Hong Kong digital watch taped to the pack.

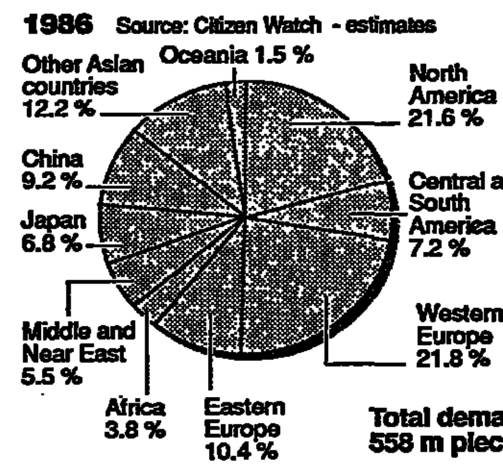
Watch production cost in Japan



Source: Japan Clock and Watch Assoc. Estimates

Trends in Worldwide watch markets

1986 Source: Citizen Watch - estimates



TECHNOLOGY

Animals that can be milked by industry

Clive Cookson reports on the live production lines made possible by genetic engineering

The most precious sheep's milk in the world comes from three Scottish ewes, which have been genetically engineered to produce useful human proteins. Milk from two of the animals contains the blood clotting agent factor IX, while the third makes alpha-1-antitrypsin, a drug used to treat certain lung diseases.

The sheep are the first farm animals in which human genes have been inserted and successfully "switched on". Paul Simons, one of the scientists working on the project at the Institute of Animal Physiology and Genetics Research, near Edinburgh, says the milk contains only small amounts of the proteins. But he and his colleagues are confident that they will be able to increase the quantities substantially to make commercial production possible. They are also delighted that one of the ewes has bred and passed on the human factor IX gene to her lamb.

Although the genetic engineering of mammals is still only at the research stage, it is beginning to attract significant commercial funding. Several companies have been set up to produce "transgenic" animals by transferring new genes from other species, including Pharmaceutical Proteins and Animal Biotechnology Cambridge (ABC) in the UK, and Embryogen, Transgenic Science and Integrated Genetics in the US. Some of the established US pharmaceutical and animal breeding companies are also carrying out transgenic research.

The business applications of transgenic animals are likely to fall into three main categories:

- Pharmaceutical production. It may be cheaper to make human proteins in large animals and extract them from milk, than to produce them in large fermenters containing cell cultures or genetically engineered micro-organisms, such as bacteria or yeast.
- Improved farm animals. Genetic engineering should achieve results that are impossible with conventional animal breeding by introducing genes from different species. One example is to make larger pigs by adding growth hormone genes from other animals.
- New strains of laboratory animals for biomedical and pharmaceutical research. The idea is to produce mice which will develop specific diseases in a predictable way. For example, animals carrying a particular oncogene (cancer-causing gene) could be used to test potential treatments for cancer.

Looking five or 10 years ahead, drug production may be the most important area of application, with large-scale agricultural uses of transgenics following at the beginning of the next century. But, surprisingly perhaps, transgenic laboratory mice present the greatest business opportunity in the short term.

According to Philip Paxman, managing director of ABC, the pharmaceutical industry spends $500m (£290m) a year on laboratory mice and rats. "We believe that transgenic animals could take much of that market."

His colleague Martin Evans, head of ABC's transgenics division and a lecturer in Cambridge University's genetics department, says: "We have several letters of intent from pharmaceutical companies which want us to make animal models of diseases." The ones the industry wants to model in mice include cancer, AIDS and heart conditions.

A research team led by Philip Leder of Harvard Medical School recently received a US patent for a mouse carrying human oncogenes – the first transgenic animal to be patented. Leder says that by altering the regulatory sequence of DNA (genetic material) attached to the oncogenes, he can produce mice which will reliably develop any of the common human cancers. These can be used not only to test anti-cancer drugs but also to screen substances which are suspected of promoting or causing cancer (carcinogens).

Harvard has given the commercial rights to the patent to Du Pont, the chemical company which partially funded the research. It is putting in a facility for handling transgenic animals at its Delaware research establishment. The company believes that there will be a large market for the Harvard mouse, but has not yet decided how extensively it wants to become involved in the transgenic animal business.

The production of superior farm animals by genetic engineering is turning out to be more of a challenge than the scientific optimists were predicting a few years ago. In 1982, a US research team made mice grow to twice the normal size by inserting growth hormone genes from rats and human beings.

When the researchers inserted growth hormone genes from other animals into pigs, they were disappointed to find that the transgenic animals grew no faster than normal pigs. They did admittedly grow more lean meat and less fat, but the foreign growth hormones also had several unfortunate side effects: arthritis, lameness and reduced fertility.

Several research groups are now trying to redesign the growth hormone genes and the associated "regulatory sequences" which turn them on and off in the animal, to make super-pigs without adverse side effects. According to Martin Evans of Cambridge, no one has yet succeeded.

Apart from achieving faster growth and leaner meat, scientists hope to improve farm animals in other ways by genetic engineering. Projects include: milk with a protein balance that is better suited to cheese making; sheep with woollier fleece; and cattle for tropical Africa with genetic immunity to the tsetse fly.

However, some veterinary experts believe there is too much scientific enthusiasm for transgenic animals. "Every proposal must be examined rigorously from two points of view," says Professor John Webster, head of the animal husbandry department at Bristol University. "Is it likely to work? And is it fair to the animal?

"Some of the ideas being put forward at the moment are just dopey." As an example, he mentions a proposal to produce pigs that can live on grass, as sheep and cattle do, by giving them extra genes for the enzymes required to digest cellulose. According to Webster, this plan could not work because the anatomy of the pig's gut is fundamentally unsuited to digesting grass, whatever enzymes it secretes.

But he does support the genetic engineering of animals to produce human drugs in their milk. This does not make the animals suffer and, he notes, "if you increase the cash value of animals, people tend to look after them better."

Companies working with transgenic animals have chosen a variety of drugs as research targets. Pharmaceutical Proteins, which is sponsoring research at the Institute of Animal Physiology and Genetics Research, is focusing on the blood-clotting agents Factor VIII and Factor IX. Haemophiliacs require regular injections of one or other of these proteins, which are now extracted from blood and may contain dangerous human viruses.

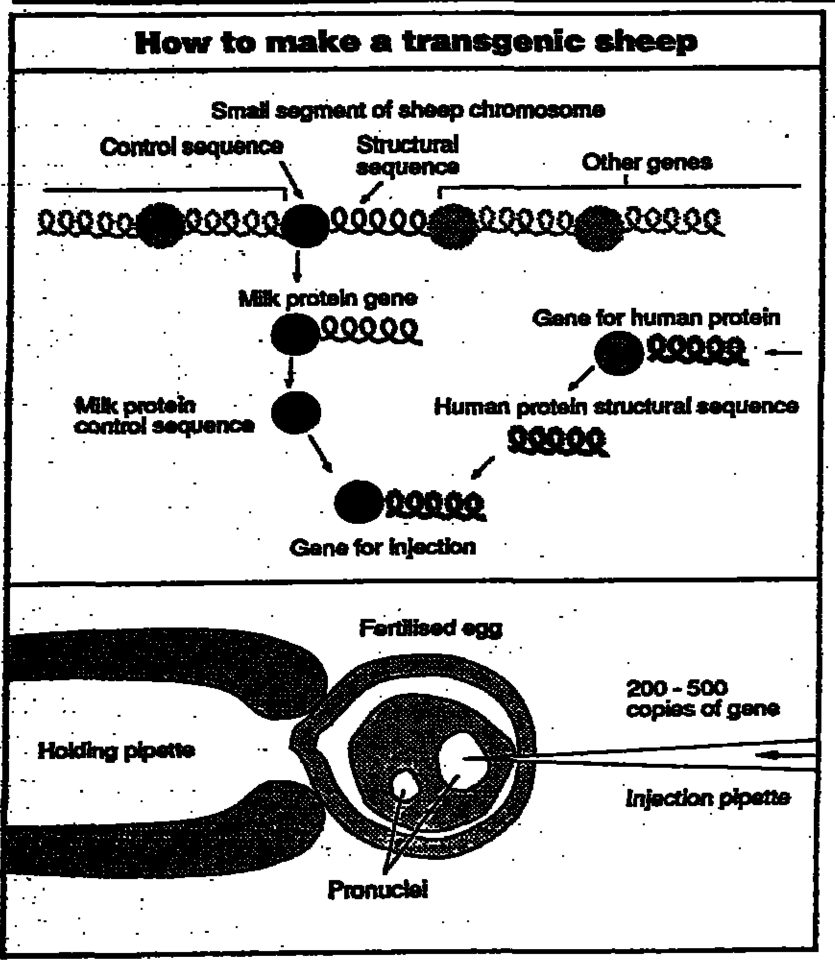
Integrated Genetics of Massachusetts aims to extract TPA, a protein which dissolves blood clots and helps prevent heart attacks, from goats' milk. Although the company sees a potential $1bn-a-year world market for TPA, it faces formidable competition from manufacturers such as Genentech and Wellcome, which plan to make the protein in cell cultures.

The only established pharmaceutical company which admits publicly to carrying out research on transgenic milk is Rorer, based in Pennsylvania. It aims to produce albumin, the main protein in blood plasma, from transgenic cows. Some patients require large infusions of albumin after undergoing major surgery.

Finally, what about transgenic people? There is no technical reason why the genetic engineering experiments carried out on other animals could not be repeated with human beings, but no researcher has yet dared to inject foreign genes into a human egg (or at least no one has talked about doing so). Moral disapproval is likely to prevent any genetic manipulation of the human "germ line" for the foreseeable future.

But doctors are likely soon to attempt to correct genetic defects in specific human cells – bone marrow cells in the first instance. This "somatic" gene therapy will not affect future generations and most medical authorities approve of the idea.

How to make a transgenic sheep



THE MOST common way of transferring foreign genes to an animal – and the only one used for farm animals – is to inject several hundred copies of the gene directly into a newly fertilised egg.

The gene normally has two parts. One has the code for the protein you want the animal to produce – for example factor 9 – and the other is a regulatory portion which switches the gene on in the right cells (see upper diagram). If you want the protein to be produced in milk, this portion will come from a gene that is active only in the mammary glands.

Working under a microscope, the scientist squirts the genes through a tiny pipette into one of the egg's pronuclei (see lower diagram). The pronuclei fuse to form a single nucleus before the cell starts dividing. At this stage, the foreign gene is sometimes incorporated in one of the chromosomes (genetic structures) of the egg. A few hours after injection, the egg is put back into its mother's oviduct.

If the fertilised egg takes up the gene – and scientists do not know yet how this happens – it will normally be transferred to every cell of the growing embryo to produce a transgenic animal.

The proportion of injected eggs *that survive to become transgenic* animals is low: up to five per cent in mice and only one per cent in sheep. To increase success rates, scientists are experimenting with alternative methods of introducing foreign genes and developing new ways of handling eggs and embryos.

WORTH WATCHING

Edited by Geoffrey Charlish

Controlling the flow of metal

A MORE accurate system for pouring metal in foundries is being introduced in Europe by Selective Electronic Company (Selcom), of Gothenburg in Sweden. The system is already either operating in or on order for 15 sand casting lines in the US and Canada.

On a typical casting line, the moulds are moved to a position under a ladle in which a stopper rod is raised to allow molten metal to pour into a receiving cup (the sprue cup) in the top of the mould. From the sprue cup, which is a kind of reservoir, the metal flows down into the mould.

But over-pouring often wastes metal, while short or interrupted pours can give rise to scrap.

In the Selcom equipment, a laser gauging system and electronic controls are used to monitor the level of metal in the sprue cup. The system provides immediate feedback to the stopper rod actuator and the metal flow is modified so that the cup is filled to the required level in seconds and the level kept within 3mm.

In North America, foundries are achieving savings of up to 2.25 kg of metal per mould, an average rise in yield of five per cent, and production increases of 10 per cent or more. Selcom says that, in most cases, the system will pay for itself in less than a year.

Quick processing of images

INMOS, the UK-based semiconductor company, will introduce in the autumn a digital signal processing chip which the company says "opens the door to real-time processing of video images."

Scanned images – television, for example – that have to be altered in some way are usually digitised because each pixel (picture element) can then be treated separately to obtain an overall effect. Medical imaging, robot vision and satellite pictures are other examples. But the processing time can be unacceptable unless considerable computer power is brought to bear quickly.

The new Inmos A110 chip produces results which previously boxes of electronics carried out more slowly or could not carry out at all. It can perform 400m digital operations per second using 400,000 transistors on a chip measuring only 10mm by 8mm.

In practice, this might mean that a robot on a production line could identify an object and pick it up without stopping or slowing down operations. In hospitals, body images could be analysed very soon after some medical action has been taken.

Keeping tabs on beer kegs

THE BREWING industry in the UK and Ireland has been losing thousands of aluminium beer kegs annually. The £50 kegs suffer various fates: they have been melted down in clandestine smelting plants; some end up on building sites storing substances other than beer; others become props of one kind or another.

The answer, according to Evets Computers of Derby, is their product, Kegscan, which is based on a Fieldworker hand-held computer from Immediate Business Systems of Milton Keynes. The computer is used with a "wand" to read bar code labels that identify the kegs. The labels on kegs going to a particular pub are scanned into the computer and scanned again when they are collected.

The system should allow the site of disappearances to be pin-pointed and ease matters for the police, who are trying to stem a £20m annual loss in the UK, representing up to 4 per cent of the kegs in use.

CONTACTS: Selcom: Sweden, 31 447440. Inmos: UK, 0454 616616. Evets' Computers: UK, 0332 363981.

P&O increases Taylor Woodrow stake from 6% to 8.5%

P&O, the shipping and property group, has increased its holding in Taylor Woodrow from 6 to 8.5 per cent. The construction company made the announcement last night, too late for the news to have any impact on its share price.

The announcement came a week after the two companies disclosed the 6 per cent stake in a joint statement which also said that they were considering possible joint ventures.

P&O said at the time that it regarded the holding as a "trade investment in a company with a number of similar interests." Sir Frank Gibb, Taylor Woodrow's chairman and chief executive, said that he welcomed P&O as a shareholder.

Despite these assurances, Taylor Woodrow's shares surged by 71p to 509p on speculation that P&O was attempting to negotiate an agreed bid.

P&O said last night that its intentions had not changed since last week, although it declined to say what, if any, ceiling there was for its holding. Taylor Woodrow was unavailable for comment.

Bonded Laminates

Bonded Laminates, USM-quoted wood and veneer *laminates manufacturer*, yesterday released the details of its £3.5m placing and open offer of new convertible preference shares announced on Monday.

The 100p convertibles will be offered to ordinary shareholders on a two-for-five basis. They are convertible from July 1991 at 132p, a 20 per cent premium over yesterday's share price of 110p.

Directors holding 68 per cent of the shares will forego their clawback rights in favour of institutional investors.

Gandalf moves over

Gandalf Technologies, the Canadian computer networking company, yesterday abandoned its seven-month fight for control of CASE, the UK networking company which on Tuesday recommended an £80m bid from Dowty, the engineering and electronics group.

Gandalf has sold its 6.09m shares in CASE to Dowty at 123p each, the value of Dowty's part-cash bid alternative. The holding represents just over 9.5 per cent of CASE's share capital. Together with the 1.28m shares picked up in the market on Tuesday, Dowty now holds 11.5 per cent of CASE's equity.

Gandalf, which approached CASE in January, said it would allow its offer to lapse on the next closing date. The move failed to astonish the City yesterday: Gandalf is a smaller company than CASE, which is itself dwarfed by the Dowty Group.

Chloride departure

Sir Michael Edwardes is to step down as non-executive chairman of Chloride Group, manufacturer of lead batteries and power supplies.

At the annual general meeting yesterday he said: "I now believe that after a long association with Chloride I will be able to leave the company in the capable hands of a strong board and executive team."

Sir Michael was chairman and chief executive between 1974 and 1977, when he left to head British Leyland. He returned as non-executive chairman in 1983. When Chloride struck trouble in 1985-86 he took over temporarily in an executive role. He passed on responsibility to Mr Kent Price at the end of 1986.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Allied Textile ....int	3.8	-	3.4	-	9.2
Arncliffe Hdgs ....int	2	-	1.17	-	3.17
Automated Sec ....int	0.96	Nov 11	0.8	-	2.16
Electron House §.......fin	2.5	-	2.1	4.5	3.6
Fleming Fledge. ....int	1	Sept 1	1	-	2.6
Gibbon Lyons § ....fin	3	-	2.68	4.5	4
Havelock Europa ......fin	6	Sept 29	4.5	8.6	6.5
Jurys Hotel ....fin	2.5♠	Oct 6	2.25	4	3.75
Kenyon Secs. § ....fin	4.75†	-	4*	6.75	6*
London Shop ....fin	4.85	Oct 3	4.65	7.1	6.2
Midland Bank ....int	9.5†	Oct 10	11.5‡‡	-	23
Mountleigh Group.....fin	2.5†	Oct 3	2	3.75	3*
Neepsend ....fin	1	-	0.4	1	0.4
Saga Group ....int	2	Sept 12	1.6	-	4.6
Smith (David) ....fin	4.9	Oct 3	3.5	7	5.25
Trancont. Servs ....fin	6◆	-	6	9.57	9.57
Trencherwood § ....int	1.31†	-	1.05	-	3.8
WCRS Group ....fin	2.6†☆	Oct 31	2.2	3.95	3.13
Worthington (AJ) ......fin	0.5	-	nil	0.5	nil

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ΦThird market. ☆Carries scrip alternative. ♠Irish currency throughout. ‡‡Equivalent to 8.6p adjusted for rights issue. ◆Gross.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Aaronson Bros, Conroy Petroleum & Nat Resources, Graham Rintons Inv Tst, Hill & Smith, Kode Int'l, Lex Service, Paribas French Inv Tst, Romney Trust, St Andrew Tsts.

Finals- Astra, Boscombe Property, BTS, Dalepak Foods, Ewart, Philips Lambs, Raglan Prop Tst, Webb (Joseph).

FUTURE DATES

Interims-	
Acsis	July 29
BAA	Aug 9
Boustead	Sept 29
Cons Co Bultontein Mine	Aug 1
Foreign & Colonial Inv Tr	Aug 10
Griqualand W Diamd Mining	Aug 1
Marley	Aug 23
Renown	Aug 8
Securicor	Aug 2
Sperati	July 29
Finals-	
Coated Electrodes Int'l	Aug 4
Gent (SR)	Sept 28
Kingsgrange	July 29
Lawrie	Aug 3
Security Services	Aug 2
Sheild	July 29

Fears over LDC debt cloud results that leap back into the black

Midland's £313m 'best for years'

By David Barchard

MIDLAND BANK, the third largest of the four major British clearers, yesterday announced pre-tax profits of £313m for the six months to the end of June, compared with losses of £665m in the same period of 1987.

The results were hailed in the City as the best reported by Midland for several years. However it is difficult to compare them directly with last year's figures as Midland has had a £700m rights issue and has sold two subsidiaries – *Clydesdale and Northern Bank* – in the meantime.

Sir Kit McMahon, Midland chairman and chief executive, described the results as "very satisfactory".

However, there were also fears about Midland's continuing burden of LDC (less developed country) debt. Mr Patrick Frazer, an analyst at Morgan Grenfell, said: "The results show that Midland still has millstones of LDC debt that will not go away hanging around its neck."

Total debt provisions were £127m compared to £131m a year ago, when Midland also had to make exceptional provisions of £916m. However Midland's total LDC debt exposure has risen from £4.1bn to £4.5bn over the past 12 months, as a result of currency movements.

There were new specific provisions of £90m, of which £36m were automatically triggered under the 9-day rule by the failure of Argentina to make interest payments due on June 30 this year.

The position of Midland's £1.3bn outstandings in Brazil is currently thought to be improving and the bank hopes that some interest payments will be resumed during the year.

Profits on domestic banking were £228m compared to £183m a year ago, and there was a further £29m (£28m) profit from Forward Trust Group, Midland Group's finance house.

There was a spectacular increase in the earnings of Midland Montagu, the bank's investment arm, which earned *£63m (£2m), helped by the elimination* of £16m of losses from the closure of equity market making. International banking operations made a profit of £3m (£12m).

Thomas Cook made losses of £10m (losses £7m), which Sir Kit put down to spending on improved management and the opening of new outlets for trading.

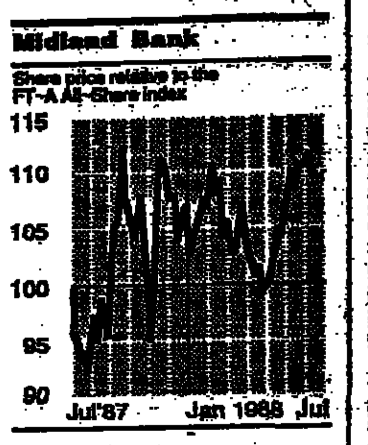
The bank's operating expenses fell to £944m (£951m) and its cost/income ratio dropped from 75 per cent in the second half of last year to 69.5 per cent, though this was partly attributable to the increase in its capital.

Total group assets rose by 5.5 per cent to £53.9bn (£51.1bn) and total advances rose to £37.8bn (£37.3bn).

Ratios announced by the group confirmed that it had become stronger over the past year, but suggested that it was not quite as strong as it had been at the start of the year.

ANALYSIS OF PRE-TAX PROFIT/LOSS

	6 months ended June 30 1988 (£m)	6 months ended June 30 1987 (£m)
UK Banking Sector		
UK Banking	228	183
Forward Trust Group	29	28
	257	211
Midland Montagu		
Investment Banking	63	2
Global Banking (Inc LDC)	3	12
	66	14
Thomas Cook Group	(10)	(7)
Clydesdale Bank, Northern Bank and Northern Bank (Ireland)	-	33
Pre-tax profit before exceptional item	313	251
Exceptional item	-	(916)
Pre-tax profit/(loss)	313	(665)



Its equity/total assets ratio is now 5.2 per cent compared with 3 a year ago and 5.5 per cent on December 31 1987.

The post-tax return on average total assets was 1.21 (0.69) per cent.

Sir Kit indicated that Midland was planning to publish its risk/assets ratio, as soon as Bank of England guidelines had been published. He said that these would be around 11 per cent.

There was a retained profit of £179m (loss of £521m). Earnings per share were 32.8p (losses of 166.8p, after adjustment for 1987's rights issue) and an interim dividend of 9.5p per share was declared, 10 per cent ahead of last time. This is the first time in three years that Midland has increased its dividend.

See Lex

Mountleigh doubles but fails to satisfy expectant market

By Paul Cheeseright, Property Correspondent

MOUNTLEIGH, the most aggressive of the British property trading groups, yesterday announced more than doubled pre-tax profits but failed to satisfy a market which had been expecting more.

The shares, which have been out of favour since the equity market crash of last October, slipped 11p after the results to close at 150p.

This compares with a fully-diluted net asset value per share of 215.6p, against 172.8p at the end of the 1986-87 financial year. "This increase," said Mr Tony Clegg, the chairman, "is about the same as Land Securities and is after tax; it takes no account of properties held for trading".

Mr Tony Clegg: No plans regarding Storehouse.

Pre-tax profits for the year to April 30 were £70.72m (£33.57m) and led to diluted earnings per share of 18.91p, increased from 17.74p. The final dividend is 2.5p, which brings payments for the year to 3.75p, or 25 per cent more than for 1986-87.

The higher pre-tax profits came from a surge in trading turnover which rose to £529.55m (£135.65m). Net profits from the sale of investment properties, taken below the line, were £31.73m (£26.51m).

But Mr Clegg has foreshadowed a gradual change in emphasis through a greater concentration on development.

Mountleigh's biggest single development is the Paternoster Square project, adjacent to St Paul's Cathedral in the City of London. Full planning permission for redevelopment of the site, a sensitive project which has excited the interest and advice of Prince Charles, will be sought next October.

But Mr Clegg said that Mountleigh would take the project through the planning stage, after which it would decide what to do next.

The group's figures show that Mountleigh has had to make provision, as an extraordinary item, for £12.34m against the loss in market value of its 3 per cent stake in Storehouse, bought last year as a base for an abortive bid.

Although Mountleigh is retaining its stake, Mr Clegg said, "We have no immediate plans to do anything so far as Storehouse is concerned."

See Lex

Berkertex retreats from Ellis bid battle

By Alice Rawsthorn

BERKERTEX has beaten a retreat from the bid battle for Ellis & Goldstein, its fellow womenswear group. It has opted instead to bring forward its proposed flotation to spring next year.

Last week Alexon, the clothing company, unveiled a £44m counter-bid against Berkertex. The E & G board which had only a week before, after more than a month of resistance, accepted Berkertex's revised £41m offer decided to recommend the offer from Alexon.

Yesterday Berkertex, advised by S G Warburg, announced that it will not extend its offer past the next closing date on Friday. Mr Barry Waterman, finance director, said: "We made an offer, someone made a higher offer and we were not prepared to go any further."

He said that the decision to withdraw had not been influenced by Alexon's acquisition of Richarvey, the Hong Kong clothing importer that sources Dash, the most successful business within E & G. Alexon, advised by J Henry Schroder Wagg, announced the acquisition of Richarvey on the same day as unveiling its offer for E & G.

Mr Alan Philpott, E & G's chairman, said that he was relieved to be dealing "with one bidder, rather than two. If we we have to lose our independence, and it is plain that we do, then the association with Alexon makes a great deal of sense." E & G is advised by Kleinwort Benson.

Berkertex, which was formed two years ago as a management buy-out from the Raybeck retail group, had originally planned to go public this spring. It decided to postpone the flotation for two years when it mounted the original *offer for E & G. Mr Waterman* said that it has now decided to bring the flotation forward again to early spring next year.

WCRS surges 80% to £18.3m

By Andrew Hill

WCRS GROUP, the advertising agency, increased pre-tax profits by over 80 per cent to £18.3m in the year to April 30, *against £10.1m in 1986-87.*

Once again, advertising was the main contributor to profits with £13m (£8.09m) before tax, but the sponsorship division more than trebled profits to £1.09m (£317,000) and direct marketing went from a loss of £68,000 in 1986-87 to a pre-tax profit of £1.08m.

Public relations profits rose from £1.32m to £2.46m and profits from other operations went from a loss of £450,000 to a profit of £380,000 before tax.

Profits dropped from £900,000 to £229,000 at the design division, with both Saunders Design and Lunn Dyer having difficult years.

Group turnover rose from £331m to £408m during a busy year for acquisitions. The fall in the US dollar cut some £1.4m from the profits, but WCRS said that dollar earnings had come down from over 50 per cent in the past two years to 30 per cent in the current year.

Earnings per share advanced 32 per cent to 21.36p (16.18p) and the company is recommending a final dividend of 2.6p, making 3.95p (3.04p) for the year.

Mr Peter Scott, chief executive of WCRS, said some of last year's major deals were not included for the full period. He mentioned the 50 per cent stake in the French media-buyer, GGMD, acquired at the *end of April, and September's* share swap with Eurocom to acquire a 49 per cent stake in Groupe Belier, the French advertising and communication business.

Last month, WCRS merged its US advertising agencies, and now claims to be the 18th largest advertising group in the country.

Mr Scott said: "We have made very substantial moves in the past year in Europe without calling on shareholders at all. I doubt whether 1988-89 will be as frenetic as last year, but I think we will be extracting the best out of those companies."

He added that WCRS would be looking to capitalise on the expansion of broadcasting media recently through its media-buying operation.

●comment

These results were fractionally ahead of expectations and analysts are looking forward to the full benefits from the French joint ventures in the current year's figures. The scale of growth at the sponsorship and direct marketing divisions was a pleasant surprise for the City and the core London ad agency had a particularly good year, boosting profits by about 25 per cent. Saunders suffered from the loss of the Hamleys toyshop design contract, but *the division as a whole should* recover in 1988-89. Pre-tax profits are forecast at about £36m. On that basis the shares, which fell 2p yesterday to 244p, are on a fully-diluted prospective multiple of about 8.5, a discount to the market and the sector. The low rating may reflect the high level of debt – not helped by the cost of merging the US agencies – or worries that WCRS does not have enough control over the new French operations. But even taking those caveats into account the shares look reasonable value.

CORRECTION

Whitbread

Whitbread & Company's A shares, which comprise most of the group's ordinary shares, are limited voting shares, not non-voting shares as reported in yesterday's edition.

Whitecroft unveils agreed offer for Trent Holdings

By David Waller

HARD ON THE heels of last week's £34m disposal of its builders' merchants division, Whitecroft yesterday unveiled an agreed offer for Trent Holdings, a maker of specialist doors and fittings.

The share and cash offer from the industrial holdings company values Trent at about £12.9m, or 187p a share, compared with yesterday's opening price of 182p and 169p at Monday's close.

The move is in line with Whitecroft's strategy of expanding its interests in the manufacturing side

Trent yesterday reported pre-tax profits of £720,000 on turnover of £8.9m in the year to the end of March. It also factors architectural ironmongery and owns an investment property in Berkshire.

This is Whitecroft's most substantial acquisition on the building products side. It recently bought a uPVC window company and Wellcote, which makes textured coatings for home improvement.

The consideration for Trent is split evenly between shares and cash. As Whitecroft was cash neutral when it made its disposal last week, it is now left with about £28m to be used on further acquisitions.

Terms for Trent shareholders are 5 new Whitecroft shares and £16.15 in cash for every 17 Trent shares held. Whitecroft's shares fell 10p to 313p yesterday, Trent shares were unchanged at 182p.

Whitecroft bought 15 per cent of Trent in the market yesterday. Added to acceptances from holders of 38 per cent of the shares, this gives Whitecroft more than 50 per cent of the smaller company.

Cambrian stake for US group

By Nikki Tait

A NEW American stakebuilder has emerged at Cambrian and General Securities, the former UK investment trust vehicle of Mr Ivan Boesky, the convicted US insider trader.

Baupost Group, which is based in Cambridge, Massachusetts, announced yesterday that it acquired 2.35m ordinary shares or 5.15 per cent. Yesterday, the company said that it had bought the stakes through the market, rather than as a block stake.

Baupost describes itself as a value-oriented investment group and said it had made the investment because it believed that the shares were selling at a substantial discount to their real worth. Any further purchases would depend on price.

The fund management group said that it managed funds for a limited number of private individuals and controlled total assets in excess of $200m (£117.34m).

Since the downfall of Mr Boesky, a number of new shareholders have appeared at Cambrian. Heine Securities, a New York-based mutual fund group, emerged with 9 per cent of the capital shares and 2 per cent of the ordinary over a year ago. In January this year, Mr Lance Lessman – who at one stage worked for Mr Boesky – disclosed a 5.04 per cent interest in the ordinary shares. Yesterday, he said he was still a firm holder of the shares.

The largest shareholder, however, is the US Securities and Exchange Commission which holds 12.68 per cent of the ordinary shares and 54.6 per cent of the capital shares – stock which Mr Boesky handed over to settle charges of insider trading with the US Securities and Exchange Commission in 1986.

SG Warburg, Cambrian's merchant bank adviser, was unable to comment on yesterday's announcement. At the time of the interim figures in May, the company indicated that it was still facing complex litigation. Since Mr Boesky's departure, investment management has switched to Essex Investment Management in the US and CS Investment Management in the UK.

UK COMPANY NEWS

Maxwell outbid by possible buy-out at Argus

By Raymond Snoddy

MR ROBERT MAXWELL, publisher of Mirror Group Newspapers, yesterday withdrew a £170m offer for the Argus Press Group, the newspaper and magazine publishing division of BET, the industrial services company.

Mr Maxwell said yesterday that his offer had lapsed after he had been advised by BET and Morgan Stanley International, its adviser, that other higher offers had been received for the company's publishing interests.

BET declined to say last night who had made the other offers or what they were worth. However one offer from a management buy-out team is believed to be on the table and is by implication higher than Mr Maxwell's. The buy-out team is led by Mr George Fowkes, chief executive of Argus' US and UK business magazines division, together with Mr Paul Dowson, group finance director, and Mr Kimble Earle, chief executive of Argus Newspapers.

However BET said last night that the company was in final negotiations with a number of bidders and hoped to sign a deal next week.

Although the terms of Mr Maxwell's offer have now formally lapsed, the action is probably part of an elaborate poker game to try to get control of more than 300 titles ranging from True Romances and European Water and Sewage to Personal Computing Today and the Surrey Mirror.

It is likely that Mr Maxwell will return to the fray with a new bid.

The bid was made in Mr Maxwell's name but he also represented a loose consortium which included Portsmouth and Sunderland Newspapers, Irish Independent Newspapers, IT Matter, a typesetting and publishing group, and Mr Ray Tindle, a local newspaper publisher.

The aim would be that most of the local newspaper interests would be sold on to the consortium members to try to avoid an automatic reference to the Monopolies and Mergers Commission.

Several others groups, such as Reed International and EMAP, have expressed interest in parts of Argus Press, but BET has said it wants to sell the business as a single package.

Kalon sells chemicals division

By David Waller

Kalon, the manufacturer of decorative paints, industrial varnishes and coatings, is selling its Kirklees chemical division for £9.12m in cash. The Kirklees company makes and sells polymers which are primarily used in the manufacture of emulsion paint.

In the last financial year, Kirklees contributed an operating profit of £871,000 on turnover of £11.2m; the net value of the assets sold amounted to £2.82m. Proceeds from the sale will be used to help finance its capital expenditure programme.

Shares in Kalon, which saw its pre-tax result slump from a profit of £5.02m in 1986 to a £870,000 loss last year, were unchanged yesterday at 37½p.

Elswick purchase

Elswick has completed its purchase of Sparkprint Industrial Electronics for £380,000 cash, of which £200,000 was paid on completion. Sparkprint, based in Northallerton, Yorkshire, supplies self-adhesive labels.

In the year to June 30 1987, profits were £147,000 on sales of £3.5m. But in the following 11 months, sales fell slightly and there was a loss of £169,000.

Specialist wool textiles and the acquired wool dyer push up profits and sales

Allied Textile moves up 28% to £4.6m at half-time

By Alice Rawsthorn

ALLIED TEXTILE Companies yesterday announced a 28 per cent increase in pre-tax profits in the first half to March 31 from £3.6m to £4.6m on sales up by 70 per cent from £29.4m to £50m.

Mr Russell Smith, chairman, said the group's core interests in specialist wool textiles had improved profitability during the year and Bulmer & Lumb, the wool top dyer acquired last year, was showing the benefits of reorganisation and investment.

Allied has recently increased its holding in Hugh Mackay, the carpet company, to more than 29 per cent. It has supplied Mackay with carpet yarn from its spinning plants since the late 1960s. Mr Russell Smith declined to comment on whether it intends to bid for Mackay.

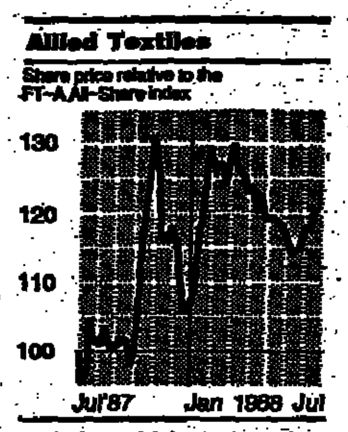
The group is, however, intent on staging more strategic acquisitions within specialist textiles. Its cash pile, which stood at more than £20m at the year end, increased further during the first half. Allied has recently bought Gordon & Fairclough, a coater of man-made fabrics, and Sutcliffe Silks, which makes silk lining for packaging.

The £3.5m investment programme at Bulmer & Lumb is not yet completed. Nevertheless the benefits of reorganisation and modernisation are filtering through. Most of the increase in sales came from Bulmer, reflecting the rapid rise in wool prices during the year. Mr Russell Smith said that so far the higher wool price had not affected the pattern of demand.

The core specialist textile businesses all performed well, he said, and sported a 20 per cent increase in profits and more modest sales growth.

Earnings per share rose to 12.1p (10.5p). The board has increased the interim dividend to 3.8p (3.4p).

Mr Russell Smith described the present level of orders as "healthy" and the strong performance had continued into the third quarter.



● **COMMENT**

It is perhaps a sign of the times that the same sound, steady qualities which made Allied Textile one of the more sluggish textile stocks in the bull market, should have turned it into a strong performer since the crash. The shares, which raced ahead before the results, rose by 1p to 369p yesterday. No one could quibble with the performance of Allied's core interests. Bulmer & Lumb mustered some progress, even if its reorganisation is taking longer than originally expected and the day when it will meet the group target of a 10 per cent return on sales is still far off. Moreover an increase in interest rates augurs well for the infamous cash pile. Yet Allied is rather too complex a company for the stock market's taste and – barring an adventure on the acquisition front – its shares are fully valued on projected profits of £11.8m and a prospective p/e of 12.

Transcontinental Services appoints new stockbroker

TRANSCONTINENTAL Services Group, investment holding company, has appointed Kitcat and Aitken as its new stockbroker, writes Nikki Tait. Kitcat replaces Cazenove and BZW, which stepped down following the resignation of Mr Nathaniel de Rothschild as chief executive officer in May.

News of the appointment came as TSG unveiled a 22.4 per cent drop in net asset value during 1987-88. By the March 31 year end, net assets per share stood at 236p fully diluted. A figure of 266p a share on November 13 had already been published.

During the year, TSG has been subject to a good deal of upheaval. Mr Stanley Cohen stepped down as chief executive officer in November, while Banner Industries, a US supplier of aircraft parts, built up a substantial minority holding. Although this exceeded 30 per cent, the company was not obliged to make a full offer because TSG is registered in the Netherland Antilles.

Mr de Rothschild took over as chief executive officer, and in January, an agreement with Banner appeared to be reached under which it agreed to restrict its voting rights to 29.99 per cent. However, Mr de Rothschild's departure was announced in mid-May, along with news that TSG had invested about $20m in Banner stock. Today, the holding represents about 15 per cent of TSG's net assets.

Yesterday's figures from TSG showed a fall in pre-tax profits during 1987-88 from £6.2m to £2.13m. This was due largely to an increase in administration expenses from £2.7m to £6.46m. According to TSG's current management, the bulk of the increase derived from the "premature termination of service contracts," particularly in respect of Mr Cohen.

It did not disclose the precise sum paid to Mr Cohen, but said this explained "the bulk" of the difference between the two figures for administration expenses.

TSG added that it has made provisions of about $20m in respect of three categories of investments – its holding in Revco, the US drug store chain, where it has provided investments in real estate, and equity stakes in a number of venture capital situations.

David S Smith advances 27% to £30.7m in year

By Maggie Urry

DAVID S SMITH, Britain's largest papermaker and a major packaging group, had "another exceptional year" according to Mr Richard Brewster, its chief executive. In the period to April 30 pre-tax profits rose by 26.6 per cent to £30.7m.

However, the shares fell 7p to 359p yesterday, having moved up 8p the previous day in expectation of good results.

Group sales rose by a third to £268.3m, and operating profits were 35 per cent higher at £32.3m. Operating margins were slightly ahead at 12 per cent. The pre-tax increase was dampened by a swing on interest payable and investment income from a net gain of £355,000 to a debit of £1.6m.

At the year end debt had risen to 28.6 per cent of shareholders' funds of £88.2m, Mr Brewster said, because of acquisitions made for cash, totalling about £18m.

Some of these, such as the Kemsley mill bought in February this year, had made practically no contribution to profits in the year. Most of the profit rise had come through organic growth.

During the year £19.4m had been invested in fixed assets, funded from cash flow. The largest single investment was of £6m at Abbey Corrugated, where the corrugating operations were being grouped on one site and a new 2.5 metre continuous-run corrugator was commissioned in May.

Mr Brewster said demand was strong from all types of customer, particularly for printed boxes.

The business had been organised into two divisions, paper and packaging, headed by Mr Sandy Stratton and Mr John Bence respectively. Further acquisitions were likely to augment the group's move into media activities, with the purchase of a half share in Focus, a magazine and exhibitions group, in March.

After a 32 per cent tax charge, earnings per share rose 26.3 per cent to 30.3p and a 40 per cent increase in the final dividend gives a total for the year of 7p, up a third.

● **COMMENT**

During the five years Mr Brewster has been in charge at David S Smith profit growth has been dramatic. The first half of the current year might therefore be the first time the City's confidence in him has been tested. Profits growth is likely to look rather dull with the Kemsley acquisition bringing in sizeable turnover but little profit, especially since the biggest machine is currently shut down for a partial rebuild. Similarly the fruits of investment at Abbey will not come through in the short term. However, there is little doubt that in the longer term the spending will pay off. Meanwhile, demand is strong, price increases seem to be passing through and at last the group should have no capacity constraints. A forecast of £35m for the year is not demanding. A prospective p/e of 10.6 may prevent the shares from outperforming for a while, but the faithful should also be patient.

Fleming Fledgeling earnings advance

Net asset value at Fleming Fledgeling Investment Trust stood at 253.5p at the end of the six months to June 30. The figure compares with 202.7p as at December 31 1987, and 292.4p at the end of the comparable six months. Earnings advanced to 1.49p, against 0.92p in first half last time.

Gross revenue amounted to £383,767 (£283,769) and management expenses and interest payable reduced this to £262,529 (£170,765) before tax of £75,675 (£54,813). The dividend is maintained at 1p.

English and Caledonian

Net asset value per £1 ordinary share of English and Caledonian Investment at June 30 1988 stood at 253p, this compared with 278p at the same time last year.

The results cover the nine months from October 1 1987 to June 30 1988.

There was a net loss before tax of £62,817 (profit £106,242 for year) and after tax of £15,912 (£32,429) the loss per share worked through at 1.76p (earnings per share 1.74p). The final dividend is unchanged at 1.5p.

UK COMPANY NEWS

Saga boosts interim on strong bookings growth

By Clare Pearson

SAGA HOLIDAYS yesterday increased its interim dividend by 25 per cent as it reported "satisfactory" growth throughout its core business of operating tours for the over-60s, and forward bookings for the second half "significantly stronger" than last year.

Mr Roger de Haan, chairman, added that the other activities, comprising publishing and financial services aimed at the retired, should *make a useful* contribution to profits this year.

In the six months to the end of April, the seasonal pre-tax operating loss was slightly lower at £1.3m (£1.49m).

In local currency terms, sales of the dominant UK tour operator side increased by 10 per cent, those of the US subsidiary by 13 per cent, and those of the fledgeling Australian operation by 24 per cent.

The UK tour operating business, which stopped offering its holidays through travel agents last September, was said to be enjoying the benefits of more efficient systems in its new premises.

In March, the company entered into a joint marketing venture with TSB Group

Group turnover came out at £27.41m (£26.13m). The loss per share was 4.59p (5.41p). The interim dividend is 2p (1.6p).

*The sale of Saga's old head*quarters in June will show as an extraordinary £3m gain in the full-year accounts.

Saga is changing its year end to January 31. There will be a statement to cover the period to end-October.

● COMMENT

Saga, which is bid-proof as the de Haan family and friends own about two-thirds of the shares, has had its problems in the recent past, but confidence in its management is much on the increase. Tour operating is looking good, but now that Saga has cottoned-on to the potential gold mine inherent in its unique list of addresses, all the interest is in the other activities. The TSB link is a very useful addition to this, and, though it is thought that the overall profits contribution of non-tour activities is likely to be no more than 10 per cent this year, it could rise substantially if they strike the right chords. In the 12 months to end-October, pre-tax profits could more than match the record £4.1m achieved in 1985. The tightly-held shares do not appear cheap on a prospective p/e approaching 15, but are worth tucking away to see how the non-tour activities spin out.

Automated Security up 23%

By David Cohen

AUTOMATED Security (Holdings), burglar alarm and electronic security system supplier, maintained its steady advance in the six months to May 31 with pre-tax profits 23 per cent ahead to £7.1m on turnover up from £29m to £34.6m.

Mr Tom Buffet, executive chairman, said the performance was achieved despite reorganisation of the trading network at subsidiary, Modern Alarms.

Modern Alarms is the UK's largest burglar alarm supplier and rentals account for more than 75 per cent of group profits. Its network of 115,000 installed systems give it 16 per cent of the market, double that of Chubb its nearest rival.

Mr Buffet said Modern Alarms had maintained market share and enjoyed pre-tax growth of 15 to 20 per cent. Of the other divisions, electronic article surveillance achieved record trading and order intake performance, while close circuit television operations had grown rapidly.

Earnings per share on a fully diluted basis increased 16 per cent to 6.6p (5.7p). This excluded the extraordinary loss of £385,000 on the April sale to Scantronic of burglar alarm manufacturing subsidiary, ATG.

An interim dividend of 0.96p (0.8p) reduced dividend cover from 7.1 to 6.8 times.

The business, traditionally seasonal, picks up in the second half, and analysts expect a similar growth rate and pre-tax profits of about £19.5m.

Mr Clive Campion, previously finance director of Electronic Rentals Group, has been appointed group financial director.

Boost from completed developments and housebuilding

London Shop pushes on towards £11m

By Paul Cheeseright, Property Correspondent

LONDON SHOP, which has three quarters of its interests in retail property, yesterday announced a 29.2 per cent increase in pre-tax profits and a 25 per cent increase in net assets per share. But the figures left the market unmoved, as the shares closed unchanged at 243p.

The profit for the year to April 30 was £10.89m compared with £8.43m in 1986-87. Earnings per share, fully diluted after the conversion of convertible loan stocks and the exercise of options, were 11.8p, up from 10.5p the previous year.

Shareholders will receive a final dividend of 4.85p, making total payments for 1987-88 of 7.1p against 6.2p in 1986-87.

Over the past financial year the company has been able to ride on the back of the retail property boom and turn it to its advantage by the upgrading of properties. This factor, allied to the completion and letting of two office buildings, one on the City of London fringe and the other in Bishop's Stortford, lifted the fully diluted net asset value per share to 267.7p, which was 53.5p higher than a year before.

The rise in property values was uniform across the country, except in central London where office values rose 40 per cent. The overall rise in asset values was in line with those of other property investment companies which recently declared results.

Earnings were helped by a rise in the contribution from *housebuilding*. Trend Housing, the London Shop subsidiary, active in East Anglia, had a record year building more than 200 homes. It expects to build up to 250 this year.

Rental income was boosted by the completion of shopping centre, parade and arcade refurbishments, notably in Sale, Huddersfield and Dewsbury. During the current year, when the company expects to maintain its current progress, further refurbishments will take place in centres like Leeds, Uttoxeter and Bognor Regis.

Acquisitions help Electron to £2.7m

By Clare Pearson

A STREAM of acquisitions helped Electron House, computer products and electronic components distributor, nearly treble pre-tax profits from £945,000 to £2.7m in the year to end-May. The company plans to exchange its USM quotation for a full listing in two months' time.

Earnings per share recovered to 12.75p, after plummeting to 1.65p in the previous financial year when profits were hit by taxation in Australia which could not then be offset with losses. The final dividend of 2.5p (2.1p) makes an increase of 25 per cent to 4.5p for the year.

The group's gross profit margin fell by 2 percentage points to 22 per cent, as high volume computer products increased as a proportion of sales. But the operating profit margin rose by half a per cent to 6.2 per cent.

Mr Robert Leigh, chairman, said order books were now at record levels, but warned that market conditions would probably not be so favourable in the second half, as supply in the semi-conductor market was expected to exceed demand by next spring.

Against this, he said computer products might be helped by the decision last week by MBS, the big UK-based personal computer dealer, to close its wholesale business.

During the year, Electron made four acquisitions for cash, two in the UK and two in Australasia. Since the year-end, it has bought HB Electronics, a British passive components distributor.

Organic growth accounted for just under half of the rise in turnover from £30.54m to £56.94m.

Mr Leigh said computer products accounted for about a third of turnover, and about a quarter of profits.

In components, Pacesetter, the previously loss-making US company, made a profit of about £50,000, while Australasian companies were helped by acquisitions. The UK distributors were said to be concentrating on improving technical expertise.

Net gearing now stands at 43 per cent, reduced from about 100 per cent by the financing of the HB acquisition.

Omnitech reduces losses to £91,000

The lack of research and development costs in the six months to January 31, compared with £144,000 last time, helped Omnitech, USM-quoted designer and developer of packaging machines, reduce its losses before tax from £187,000 to £91,000 in the half-year.

Interest payable took a first-time £44,000 and after virtually static administration costs of £47,000, losses per 1p share were cut from 1.04p to 0.51p.

The directors stated that it would be necessary to expand the group's facilities in order to meet the expected growth in orders and, as a first stage, Omnitech has agreed terms in principal to acquire Wildsmith, its main electronics and software sub-contractor. The initial consideration will be the issue of 300,000 ordinary shares and thereafter, further shares up to a total value of £200,000.

Globe Investment

At the end of the first quarter to June 30, net asset value of Globe Investment Trust had risen from 173.29p to 190.07p basic and from 170.62p to 187.06p fully diluted.

Profit before tax was unchanged at £7.36m. After tax of £2.06m (£2.1m), earnings per share were again 1p.

NEWS DIGEST

HAVELOCK EUROPA

Shopfitter rises to £4m for the year

WITH THE market for shopfitting and related refurbishment work remaining buoyant throughout the 53 weeks ended April 22 1988, Havelock Europa increased its pre-tax profit from £3.16m to £4m.

Turnover was £40.01m (£35.88m). Earnings worked through at 21.89p (16.83p) and the final dividend is 6p, for an 8.6p (6.5p) total.

The current year opened with a substantial order book and the level of new business booked was encouraging, the directors stated.

Havelock has completed the acquisition of the shopfitting activities of Boots for more than £9m.

NEEPSEND

Engineer keeps recovery going

The recovery at Neepsend continued in the year to March 31 1988 and pre-tax profit rose from £165,000 to £747,000.

With earnings more than quadrupled to 4.97p (1.21p), the dividend is raised from 0.4p to 1p.

Turnover of the group, engaged in engineering and tool manufacture, metal production and processing, was little changed at £18.03m (£17.93m), but the trading profit grew to £1.09m (£769,000). The UK side contributed £16.86m (£16.82m) and £1.03m (£707,000) respectively.

Interest payable was cut to £345,000 (£489,000), and the previous year also carried an exceptional charge of £115,000.

The directors expressed confidence that the current year would again show good results. The continuing programme of plant investment had contributed to the improved performance.

Regarding the vacated Slack Sellars' site, it appeared that Tesco would not proceed with its scheme following further consideration of the planning refusal. Other prospects for the sale were being pursued.

ARNCLIFFE HLDGS

Profits almost trebled halfway

Continued growth at Arncliffe Holdings, property developer and housebuilder, resulted in pre-tax profits on the way to being trebled from £205,000 to £561,000 for the half-year to April 30 1988.

Turnover rose 72 per cent to £4.7m against £2.73m last time. The interest charge was £132,000 (£72,000) and after tax of £80,000 (£22,000) earnings per 10p share worked through at 9.62p (3.67p).

Directors said forward sales were at record levels and the market buoyant. Further substantial growth was expected throughout the second half and beyond. An improved interim dividend of 2p (1.17p) is being paid.

JURYS HOTEL

Pre-tax surplus up to I£2.03m

Taxable profits advanced 26 per cent to I£2.03m (£1.71m) at Dublin-based Jurys Hotel Group for the year to April 30. This result was scored on turnover ahead £1.56m to £17.29m.

After a drop of £328,000 to *£1,000 in interest receivable* and similar income and tax down slightly at £417,000 (£425,000), earnings per share came out at 7.7p (5.6p). The directors proposed to raise the final dividend to 2.5p (2.25p), making a total of 4p (3.75p).

GIBBON LYONS

Ink maker in 59% increase

A strong performance at Gibbon Lyons Group brought a 59 per cent increase in *pre-tax profits* from £544,058 to £863,868 at the year-ended March 31 1988.

The USM-quoted manufacturer and supplier of printing inks more than doubled its turnover to £10.2m (£4.43m). Earnings worked through at 11.6p (8.8p), and the final dividend is 3p for a 4.5p (4p) total.

The company said sales in the first three months of the year had exceeded forecast and its printer customers had also performed well. Outlook for the group looked extremely good.

Also announced was the acquisition of E.T. Marler for £4.5m, being £1.5m cash and 2m shares - 1.34m will be placed with institutions at 150p each. The freehold of its head office will cost another £1m. Marler's profits were £529,000.

AJ WORTHINGTON

Return to the dividend list

After a five year absence, A.J. Worthington (Holdings) is returning to the dividend list with a dividend of 0.5p in respect of the year ended March 31 1988.

With turnover ahead at £4.28m, against £3.45m, this producer of sewing thread and narrow textile fabrics reported pre-tax profits more than doubled from £110,607 to £268,508. Tax charge was £18,171 (£17,000) and earnings per share came out 3.1p higher at 4.8p.

The directors said the company had achieved the results planned for 1987-88 with *the advantage of strong* markets. Although the markets have not continued to be as strong in the current year, Worthington was in a position to pursue continued growth both organically and by acquisition.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value	Unem-ployed	Vacs.
1987							
1st qtr.	111.6	108.1	98	125.4	158.9	3,073	210.4
2nd qtr.	112.1	108.4	94	128.3	165.8	2,985	228.1
3rd qtr.	113.8	111.2	92	131.3	171.3	2,827	241.3
4th qtr.	115.0	112.6	92	133.4	210.2	2,658	262.1
December	115.1	112.7	92	133.5	244.9	2,614	258.8
1988							
1st qtr.	114.4	112.9	94	135.5	173.3	2,534	247.8
2nd qtr				129.3		2,414	254.8
January	115.4	114.2	93	134.9	170.0	2,565	249.5
February	113.1	111.5	94	135.3	169.5	2,538	247.9
March	114.8	113.1	96	135.5	175.1	2,504	245.5
April	116.0	114.8		136.4	169.4	2,453	253.7
May	116.7	116.1		138.6	180.3	2,414	255.5
June				137.4		2,375	255.2

OUTPUT- By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

	Cnsmr. goods	Invest. goods	Intmd. goods	Eng. output	Metal mfg.	Textile etc.	Housg. starts*
1987							
1st qtr.	107.4	100.1	117.8	102.6	114.5	103.3	17.5
2nd qtr.	110.1	101.8	113.8	104.4	120.9	104.9	20.9
3rd qtr.	112.4	104.9	118.6	107.9	120.9	107.0	19.8
4th qtr.	113.4	107.9	118.9	110.6	121.6	105.5	17.9
November	113.6	107.7	119.1	110.0	128.0	106.0	18.8
December	113.2	108.8	118.3	112.0	115.8	104.6	14.2
1988							
1st qtr.	113.3	106.9	118.7	109.8	125.4	106.5	20.0
2nd qtr							
January	114.3	105.4	120.5	110.8	138.9	108.0	18.2
February	112.2	105.4	118.8	107.8	123.6	107.0	20.5
March	113.4	107.3	118.7	110.0	118.0	104.0	21.5
April	112.7	111.8	119.4	113.0	132.8	104.0	21.0
May	115.5	110.2	120.1	114.9	139.8	107.0	21.4
June							

EXTERNAL TRADE- Indices of export and import volume (1980=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1980=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn
1987							
1st qtr.	128.5	133.5	-1,211	+574	+1,139	100.4	27.04
2nd qtr.	128.6	141.1	-2,317	-216	+1,016	103.4	34.36
3rd qtr.	130.5	151.1	-3,108	-919	+938	103.7	34.81
4th qtr.	134.5	152.5	-2,986	-1,287	+1,073	103.9	44.33
November	135.4	154.3	-1,066	-525	+332	103.7	41.28
December	137.1	154.9	-1,010	-480	+346	104.2	44.33
1988							
1st qtr.	128.0	148.3	-4,017	-2,776	+881	104.7	44.64
2nd qtr							48.50
January	128.4	151.5	-1,573	-1,189	+368	104.3	43.08
February	123.8	147.4	-1,457	-1,044	+311	104.6	42.93
March	130.1	146.8	-986	-572	+213	105.2	44.64
April	136.4	155.8	-1167	-667	+309	106.5	47.38
May	129.1	158.7	-1,844	-1,144	+221	107.2	45.63
June	132.8	163.7	-1,521	-1,021	+149	107.0	48.58

FINANCIAL-Money supply M0, M1 and M3 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit†; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	Cnsmer. credit† £m	Base rate %
1987							
1st qtr.	4.4	23.3	19.5	+8,733	1,495	+577	10.00
2nd qtr.	4.5	23.2	19.0	+8,554	1,894	+1,069	9.00
3rd qtr.	5.0	20.0	20.1	+11,506	1,211	+874	10.00
4th qtr.	4.9	22.2	22.5	+11,185	3,807	+946	8.50
November	4.5	22.3	22.1	+3,276	1,126	+357	9.00
December	4.3	22.2	22.5	+4,987	1,065	+249	8.50
1988							
1st qtr.	5.3	19.8	20.4	+13,010	3,861	+1,035	8.50
2nd qtr				+15,268			9.50
January	4.8	20.5	21.8	+5,585	800	+288	8.50
February	5.2	19.7	20.0	+2,536	1,182	+321	9.00
March	5.8	19.8	20.4	+4,889	1,859	+428	8.50
April	6.1	22.3	20.0	+6,046	1,576	+281	8.50
May	6.2	20.5	18.9	+3,120	1,358	+360	7.50
June				+6,100	1,239		9.50

INFLATION-Indices of earnings (Jan 1980=100); basic materials and fuels; wholesale prices of manufactured products (1980=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100)

	Earn-ings*	Basic matls.*	Whsale. mnfg†	RPI*	Foods	Reuters' cmdty.	Sterling
1987							
1st qtr.	192.8	128.8	149.2	100.3	100.5	1,580	68.9
2nd qtr.	198.9	128.7	150.9	101.9	101.8	1,588	72.8
3rd qtr.	202.9	131.8	151.5	102.1	100.5	1,647	72.7
4th qtr.	209.9	132.4	152.2	103.2	101.7	1,693	74.9
November	207.3	131.4	153.2	103.4	101.8	1,682	73.4
December	218.3	135.1	153.7	103.3	102.4	1,707	75.9
1988							
1st qtr.	208.9	132.6	155.2	103.7	103.5	1,747	75.3
2nd qtr		134.5	157.5	106.2	104.6	1,617	77.6
January	206.9	135.9	154.6	103.3	102.9	1,752	74.9
February	206.7	134.0	155.1	103.7	103.6	1,755	74.3
March	213.1	131.4	155.8	104.1	103.9	1,734	75.8
April	213.8	132.3	156.9	105.3	104.4	1,736	78.2
May	213.2	135.0	157.5	106.2	104.7	1,778	78.4
June		136.2	158.0	106.6	104.6	1,836	76.9

*Not seasonally adjusted

†Net changes in amounts outstanding, excluding bank loans.

UK COMPANY NEWS

Residential side boosts Trencherwood to £6.04m

By Andrew Hill

TRENCHERWOOD, residential and commercial property developer, increased pre-tax profits by 65 per cent to £6.04m compared with £3.66m in the six months to April 30, on turnover up from £12.9m to £22.7m.

Earnings per share increased nearly 48 per cent to 17.01p (11.52p) and the group is declaring an interim dividend of 1.31p (1.05p).

Mr Brian Eighteen, group finance director, said the bulk of the profits had come from residential homes. Commercial developments made £1.2m before tax in the period, an increase of 50 per cent on profits in the whole of 1986-87.

There was no significant contribution from retirement home schemes which are yet to be completed. Eventually retirement homes should generate 15 per cent of profits, with 25 per cent coming from commercial development and the balance from the residential division.

The company is quoted on the Unlisted Securities Market but City observers believe the company may seek to move to a listing on the strength of its full-year figures, due next February.

Trencherwood manages a total land bank of about 6,000 units. This includes options on a number of units which form part of the West Berkshire structure plan, awaiting approval from Mr Nicholas Ridley, Environment Secretary.

The western region, along the M4 corridor, is the core of Trencherwood's homebuilding programme, but Mr Eighteen said he expected southern region to contribute significantly to 1988-89 profits. The Midlands and eastern regions should start contributing to profits within two to five years. The average house price rose from £55,842 in the comparable period, to about £70,000.

Mr Eighteen added: "I think the housing market is set very fair. Obviously interest rates worry us, but there are still areas in the UK where demand outstrips supply."

He said the group was considering some acquisitions to move Trencherwood into new geographical areas, which could include the north of England.

Since the end of the interim period Trencherwood has raised £10.1m through a rights issue to fund expansion.

Coffin making helps Kenyon double its profits to £1.63m

By Andrew Hill

INCOME FROM coffin manufacturers bought during the year helped Kenyon Securities, one of three funeral directors quoted on the Unlisted Securities Market, nearly double pre-tax profits to £1.63m for the year to March 31, against £854,306 in 1986-87.

However, earnings per share rose only 3.6 per cent to 12.49p (12.05p), following four substantial acquisitions, funded principally by the issue of new shares.

Mr Michael Kenyon, chairman, said the group would continue to expand in the current year.

The actual number of funerals carried out during the year was about 11,500, but the acquisitions mean the group is capable of carrying out 21,000 funerals a year, against 8,900 which could have been carried out during 1986-87.

Group turnover rose from £5.25m to £10.6m. Coffin manufacturing increased its contribution to £3.2m (£700,000), funeral services income rose to £6.7m (£3.8m) and an unchanged £700,000 came from the memorial business.

Mr Michael Kenyon, chairman, said the emergency services division, which helps the authorities in the recovery and identification of disaster victims, was currently working in Scotland in the aftermath of the Piper Alpha oil rig tragedy.

During the year, the specialist team had assisted following the Zeebrugge ferry disaster, the King's Cross tube fire and the South African Airways explosion over Mauritius.

The French funeral director Pompes Funebres Generales increased its stake in Kenyon from 10 per cent to 29.2 per cent during the year. Mr Kenyon said PFG had no intention of bidding for his company. PFG is a subsidiary of Lyonnaise des Eaux, the water supplier which has recently launched agreed offers for two UK statutory water companies.

Kenyon is recommending a final dividend of 4.75p making 6.75p (6p) for the year.

The Co-op is the UK's largest funeral director, with about 25 per cent of the market.

SHARE STAKES

Albert Fisher Group: A.B. Millar, executive chairman, has sold 2.31m ordinary but said he had no present intention of any further sale. He retains a holding of 5.53m shares.

Bespak: Scottish Amicable Investment Managers has reduced its holding to 1.11m ordinary (8.29 per cent).

Holmes and Marchant: Derek S. Coates, director, disposed of 250,000 shares at 262p and is now interested in 1.04m shares (8.9 per cent).

John Maunders Group: Redrow Group now holds 1.75m ordinary (7.18 per cent).

Nash Industries: David Newton, chief executive, has acquired a further 150,000 shares and increased his personal holding from 15.8 per cent to 17.6 per cent.

Allied Dunbar new life business grows by 42%

By Eric Short

ALLIED DUNBAR Group, a member of BAT Industries, has reported a 42 per cent increase in new life, pensions and unit trust business as measured by the growth in new initial commissions.

However, the new business pattern in the first half to June 30, like that of most other life companies, was patchy, with strong growth in certain markets partially offset by dull trading conditions elsewhere.

The group did particularly well in the buoyant pensions market ahead of the change to the new-style personal pensions. New annual premiums rose more than 80 per cent from £38m to £70m – making Allied Dunbar one of the most successful life companies in this field.

The group also did well in regular premium life business, with new annual premiums up 41 per cent from £22m to £31m. Much of this growth came from the sale of mortgage endowments in the wake of the successful Homeloans service.

Unit trust sales slumped nearly 60 per cent from £200m to £82m in the aftermath of the stock market crash.

Unlike other life companies, Allied Dunbar did not experience a drop in sales of linked-life bonds. Growth achieved of 29 per cent from £70m to £90m was based on the promotion of property and managed fund bonds.

Nimex has 40% of Monument

Nimex Resources, the private oil company headed by Mr Tony Craven Walker, ex-chief executive of Charterhouse Petroleum, has completed the acquisition of 12.87m shares in Monument Oil and Gas from Lombard Odier, a Swiss bank. A further 8m new Monument shares have been issued to Nimex, taking its stake to 40.24 per cent.

As previously anticipated, Nimex is now making a full offer of 12p a share under Rule 9 of the Takeover Code, and waiving all conditions other than a 50 per cent acceptance condition.

The Nimex deal was announced earlier this month, but was dependent on the Lombard Odier stake being "unfrozen" by the courts. The board of Monument had previously fought the "freezing" order because Lombard Odier declined to reveal the ultimate owners of the share stake. Monument is now backing the Nimex deal.

APPOINTMENTS

Promotions at Readicut

At READICUT INTERNATIONAL Mr P.J.F. Croset has stepped down as deputy chairman, and has been succeeded by Mr A.V. Dodman who becomes executive deputy chairman. Mr Dodman is succeeded as group managing director by Mr C.M. Shaw, who was group finance director. Mr D.G. Palfrey joins the board as group finance director. Mr P.W. Berry, managing director of subsidiary Firth Furnishings, also joins the board.

★

Mr John Head has been appointed non-executive chairman of UNITED PRECISION INDUSTRIES, the company formed by management to purchase RHP Bearings. He recently retired as chairman of Brammer.

★

Mr Stephan Wingate, Mr Christopher Benham, Mr Robert Kirkman, finance director, and Mr Christopher Jones have been appointed to the board of ESTATES PROPERTY INVESTMENT COMPANY. All are on the board of Development & Realisation Trust which has an interest in EPIC.

★

LAKE & ELLIOT INDUSTRIES has appointed Mr James Harvie-Watt as a director with special responsibilities for finance.

★

Mr George McWatters has been elected vice-chairman of BRISTOL & WEST BUILDING SOCIETY in succession to Sir John Willis who has become chairman.

★

Mr David Hughes has been appointed a director of BALTIC. Formerly a director of Guinness Mahon & Co., he succeeds Mr Mark Glatman who has resigned to move to northern England to become chief executive of the construction and property-based group, AKELER HOLDINGS, from August 1.

★

HSS HIRE SHOPS, a subsidiary of John Mowlem & Co., has appointed Mr Ian Weston as field operations director.

★

At AMERICAN EXPRESS TRAVEL RELATED SERVICES Mr John Lenton will become senior vice president, Brighton regional operating centre and customer services, on August 1. He succeeds Mr Harvey Frey, who will become senior vice president, business planning and development EMEA, on the same date. Mr Lenton was vice president and operational general manager for the northern European countries of Benelux and Scandinavia.

★

Mr C. John Beckett, director of sales, and Ms Rosemary Hunt, director of purchasing and administration, have been elected to the board of LK TOOL COMPANY, a Cincinnati Milacron company. Mr John L. Bloxham, managing director of Cincinnati Milacron, also joins the board. Mr David J. Sawyer, managing director of LK Tool, has been elected a director of Cincinnati Milacron. Mr Norman Key, founder and chief executive officer of LK Tool, has retired, but will continue as a director and consultant. Overall responsibility for LK Tool worldwide is now with Mr Alan Shaffer, group vice-president, Cincinnati Milacron Inc., Phoenix, Arizona.

★

Mr John L. Hudson, group chief executive, and Mr Anthony J. Smith, group finance director, of Wagon Industrial Holdings, have joined the board of BANRO INDUSTRIAL, following Wagon's offer for Banro becoming unconditional.

★

JENNINGS BROTHERS, a Cumbrian brewery, has appointed Mr Trevor Green as a non-executive director. He was assistant managing director of Matthew Brown.

★

Mr Brynley Evans, managing director of R. Twining & Co., is to succeed Mr Ron Gurney as managing director of the TWININGS GROUP, when Mr Gurney retires. Mr Colin Hudson, group purchasing manager; Mr Geoff Uglow, management services manager; and Mr Ian Dewar, commercial manager UK, have been appointed directors of R. Twining.

★

Dr Bob South has been appointed head of investor relations, BRITISH GAS, from August 8. He was an assistant director at Watson House research station.

★

INTERBRAND GROUP has appointed Mr Paul Stobart as group finance and development director. He was vice president, corporate finance, at Hill Samuel's New York office.

★

Mr Richard A. Barnes has been appointed finance director of the WEDGWOOD GROUP. He was finance director of Ford of Spain. Mr John Ryan has been appointed director of planning and customer services, china division, a new post. Mr Roy Naylor becomes production director of the Barlaston factory. Mr John Shufflebottom is made production director in the creative tableware division at the Eagle factory.

★

PRUDENTIAL HOLBORN, the Prudential's financial services arm for private investors, has appointed Mr Steven C. Besent as systems director. He was manager, group systems unit, at Standard Chartered Bank.

★

THE TRY CONSTRUCTION GROUP has formed a new administrative board, chaired by Mr Peter Howell. The other directors are Mr Frank Nelson, finance; Mr Gordon Whitmore, legal and insurance; Mr Richard Bowen, marketing; Mr Bob Ottley, personnel; Mr Bernard Collins, technical services; and Mr Michael Wheeler, accounting.

★

Mr Ronnie Gray, chairman of Lever Brothers, has been elected president of the INCORPORATED SOCIETY OF BRITISH ADVERTISERS.

★

Mr R.T. Lawton has been appointed financial director of CUSSONS TECHNOLOGY, Salford.

★

SCHAL INTERNATIONAL has promoted Mr Paul Marston from director of operations to deputy managing director. He is succeeded by Mr David Evans who was project executive on the Stockley Park development.

Philippines company considers gold loan

By Kenneth Gooding, Mining Correspondent

MORE EVIDENCE emerged yesterday that developing countries are about to contribute to the flood of gold bullion loans which have helped hold the gold price in check this year.

So far this method of financing has been used mainly by Australian and North American companies but yesterday Lepanto Consolidated Mining of the Philippines said it had made tentative approaches about a $100m gold loan to help fund a joint venture in its home country.

This follows the recent revelation that Bank Indonesia is studying a plan whereby commercial banks would provide gold loans to help foreign companies finance further exploration in Indonesia.

Gold loans have the effect of pulling forward sales of the precious metal because companies borrow metal, sell for cash and repay in gold from future production.

Interest on such loans is relatively low, typically between 2 per cent and 3 per cent, and also often is repaid in gold bullion.

The Landell Mills Commodities Studies group suggested this week that so far this year gold loans have exceeded 4m troy ounces (nearly 125 tonnes) worth $1.5bn.

In the Philippines, Lepanto, a big copper producer which is quoted on the Manila and Makati stock exchanges, is involved in a joint venture, dubbed the Far South East gold-copper project, with Galactic Resources of Canada.

The venture might produce the largest single gold development in the history of that country.

Reuters reported yesterday that Mr Ramon Recto, Lepanto's president, said the company had sounded out London brokers about a possible gold loan but "we haven't yet told the Central Bank about it."

He said Lepanto hoped to raise $200m for the project, "a gold loan is just one of our alternatives."

According to the Mining Journal, the Bank Indonesia study was instigated because several of the junior companies exploring in that country had been experiencing cash flow difficulties since the stock markets crashed last October.

One alluvial gold mining project at Kasongan, a joint venture between Jason Mining and Pelsart Resources with the Indonesian government having a 15 per cent interest, as early as May last year raised through Westpac Banking Corporation a $7.5m gold loan with a US dollar Euroloan option for a term of four years.

Coffee price falls in spite of quota cut

By David Blackwell

COFFEE PRICES tumbled in London yesterday in spite of the International Coffee Organisation's announcement of the second cut in its world export quota in two weeks.

The second postion on the London robusta futures exchange fell as low as £1,035 a tonne before closing £37 down at a three-month low of £1,046 a tonne.

Dealers said that the 1.5m-bag quota cut – to 51.5m bags of 60 kg each – had already been largely discounted by the market. The London price had been holding up well this week, one dealer said, but Tuesday night's fall in New York put London under pressure yesterday. Liquidation of long positions and selling by speculators forced the market down.

The total quota was set by the ICO at 58m bags last October, but has steadily been reduced as the 15-day average indicator price has consistently failed to maintain the level the organisation is trying to support. Yesterday's cut, which will be the last this year, was triggered when the 15-day average for July 26 was announced at 114.61 cents a lb – below the 115 cents a lb target.

The problems of the current ICO agreement are becoming worse. It is failing to support prices; a two-tier price level has developed under which non-member consuming countries can buy coffee considerably cheaper than members; and supplies of top quality arabica coffee are short, while the robusta coffees are in abundance.

This led Colombia yesterday to urge the ICO board to redistribute quotas in order to curb robusta exports more than arabicas. The ICO indicator price for arabica for July 26 was 142.62 cents a lb, way above the robusta indicator at 85.21 cents a lb.

However, the board agreed to abide strictly by the rules of the agreement, especially as the full ICO Council meeting is only two months away.

Today the ICO Technical Preparatory Group will continue discussions which started this week on the form the next International Coffee Agreement, due to run from September next year, should take.

Consumers countries are unhappy about the agreement, and are pushing for reform, but producing countries are happy to leave it as it is.

The coffee market does not expect anything to be settled at this week's talks. "It's a one-sided dialogue," one trader said yesterday.

Iran offers to resume oil sales to US

By Andrew Gowers, Middle East Editor

IRAN YESTERDAY sought to bolster its recent political overtures towards Washington by offering to resume co-operation with US oil companies.

In an interview with the English language Tehran Times, Mr Hussein Kazempour Ardebili, Deputy Oil Minister, said the ground was ready for the resumption of sales of Iranian oil to US companies provided the Reagan administration dropped its "hostile attitudes" towards Tehran.

He also complained about a recent fall in Japanese liftings of Iranian crude – from a normal level of around 240,000 barrels a day to the current 200,000 b/d – and said Tehran expected France to lift its oil embargo against Iran as their political relations improved.

Elsewhere in the interview, Mr Ardebili spoke about the prospects for Opec following a Gulf ceasefire. He said this would lead to initial overproduction as Tehran and Baghdad sought to maximise revenues to fund reconstruction, but that peace in the Gulf would eventually help cartel members to enforce production controls. As a first step, he said, Kuwait and Saudi Arabia should stop producing so-called "war relief" crude for Iraq from the neutral zone on their common frontier.

Weather keeps Chicago traders guessing

By Deborah Hargreaves in Chicago

CONFLICTING WEATHER forecasts are keeping Chicago's grain traders on their toes this week.

Even as a ridge of high pressure re-asserted itself across the Midwest yesterday, pushing temperatures above 90 deg F again, some forecasters were already pointing to an increased chance of stormy weather into August.

The Midwest farmbelt was doused with some two inches of rain towards the end of last week and over the weekend. But although this sent grain futures prices plunging, it was not enough to break the three-month long drought that has gripped the region.

The onset of more hot weather will have most effect on the soyabean crop, which will be blooming over the next three weeks – an important stage in the plant's growth when it forms its bean pods.

Soyabean futures prices on the Chicago Board of Trade moved slowly upwards in early trading yesterday as traders concluded they had over-reacted to previous rainfall reports.

Before some strength returned to the market yesterday, soyabean futures prices tumbled by around $3 per bushel from highs of over $10.50 a bushel earlier this month.

"We have seen massive liquidation by speculators," said Mr Dan Basse, crop analyst at GNP Commodities, "but we're now looking for more stability, before we start another leg to the upside."

Mr Basse is convinced that the bull market in grains has not yet run its course, although he expects the markets to be wildly volatile.

The soyabean crop is much more resistant to drought than maize and even small amounts of rainfall in the next few weeks could improve yields. In fact, last week's rains have already prompted several analysts to boost their estimates of soyabean production to about 1.65bn bushels from previous, drought-related forecasts of 1.5bn bushels – compared with the 1.9bn bushels that would be expected in a normal year.

But the rain did little to help the maize crop in the Midwest, where yields are expected to be down by over 40 per cent.

Even if the farmbelt did have a stormy August, rainfall would not be expected to exceed normal levels for the month and would almost certainly be far below the amounts required to replenish groundwater and sub-soil moisture levels.

US makes subsidised wheat offer to India

By Nancy Dunne in Washington

IN SPITE of falling stocks and this year's drought, the US Agriculture Department has responded to pressure from the farm lobby with a new offer to sell 800,000 tonnes of subsidised wheat to India.

The offer, made under the Export Enhancement Program, has been welcomed by Mr Frank Johannsen, president of the National Association of Wheat Growers, which along with other farm groups had met Mr Richard Lyng, the agriculture secretary, to urge the department not to abandon the programme.

The wheat groups also arranged for senior Indian officials to meet Senator Robert Dole, the minority leader, who strongly supported providing additional EEP offers to India.

India had earlier bought 1m tonnes under the subsidy scheme and was eligible for another 200,000. Including the new offer, it may purchase a further 1m tonnes.

"This announcement couldn't come at a better time," Mr Johannsen said. "It's the first EEP initiative for wheat since early May, and it's a welcome signal that America is in the export business to stay."

Mr Lyng has consistently maintained that the US would continue subsidising wheat in order to hold on to markets it has gained under the programme, but sales have been much slower than before the drought.

According to US Wheat Associates, bids for EEP sales were submitted by China for 1.25m tonnes; by India, for 1m tonnes; by Iraq for 330,000 tonnes; and by Kenya, for 100,000 tonnes.

"Morale dropped among importers and exporters caught in a pattern of bidding-rejection-rebidding which confused them as to what levels of price and bonus combinations were acceptable to the USDA," Wheat Associates said in its newsletter. "By late in the week, buyers had become discouraged and industry was beginning to lose confidence in the USDA's resolve to utilise the EEP programme."

At the end of the week, the Department had accepted much lower bids, made under old EEP offers: 25,000 tonnes for India, 250,000 for China and 110,000 for Iraq.

"The acceptance of these smaller quantities may be grounds for optimism that the USDA is simply waiting for information on further crop development and for political implications to settle down before resuming a better pace of export sales," the newsletter said.

The hopes and headaches of Zambian agriculture

Victor Mallet visits one of Africa's more successful commercial farming projects

GRANDIOSE agricultural projects in Africa have a poor track record. Unpredictable weather and unpredictable governments have a way of undermining the best laid plans of farmers and foreign investors.

It is surprising, therefore, that Zambia – in spite of ditching the International Monetary Fund and becoming a deeply unattractive proposition for many investors – has emerged as a favourite stamping ground for foreign companies anxious to establish large, irrigated commercial farm projects.

In a continent which has generally failed to exploit its agricultural potential, Zambia is particularly rich in unused land, water and labour resources. Only about 5 per cent of the available land is farmed.

Masstock International of Ireland, known for its farming enterprises in the Middle East, is beginning to invest in a huge cotton and wheat project in the Zambezi valley. The company's involvement in Zambia could eventually cost some $80m.

At Mpongwe in the Copperbelt the Zambian Government has joined hands with foreign participants, including the International Finance Corporation (IFC), to develop 4,000 hectares for coffee, wheat and other crops.

Mpongwe has already exported gladioli flowers and seed beans to Europe and South Africa while the coffee plants grow, but financial difficulties mean that the initial $13m investment will have to be supplemented with a further injection of about $5m.

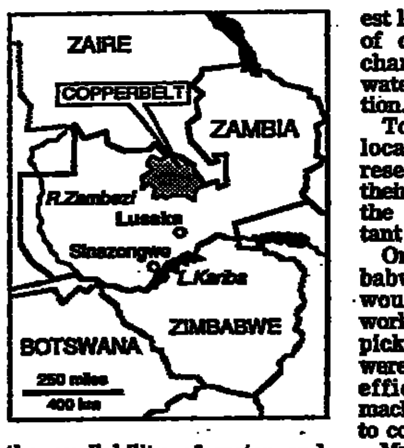
Down at Sinazongwe on Lake Kariba, the fledgling $16m cotton and wheat farm of the Gwembe Valley Development Company demonstrates some of the daunting social, financial, infrastructural, bureaucratic and climatic obstacles which have to be overcome by big farm projects in Africa.

This one is majority owned by Lasco (UK), a subsidiary of Lummus of the US, with participation from the IFC, the West German development organisation DEG, Hoechst (Zambia) and Lintco, the state cotton company.

The plan was to use a centre-pivot irrigation system to water 2,100 hectares of land in 25 circles. At full production the farm should grow about 7,500 tonnes of cotton and nearly as much wheat each year, earning an annual $3m to $4m as well as 25m kwacha (£1.85m) in local currency.

At first the development went quickly. In May 1986 the bulldozers moved in to clear the bush, and the first rain-fed crops of cotton, soyabeans and groundnuts were in the ground by November. By June 1987, power lines had been extended to the farm from a nearby colliery and the irrigation systems were working.

But it was not all plain sailing, in spite of the apparently suitable soil and climate and



the availability of water and workers. "Each of those factors has caused problems in the first two years," says the general manager, Mr Ian Wright, a white Zimbabwean. The farm is not yet working at full capacity.

The soil turned out to be loose and low in clay and must be treated with care. After a drought the lake fell to its lowest level ever, forcing the delay of cotton planting while a channel was dug to let the water reach the pumping station.

To make matters worse, local Tonga villagers, who resented being moved from their homes to make way for the farm, proved to be reluctant workers.

On a similar farm in Zimbabwe, Mr Wright says, you would expect to find 5,000 workers in the mid-year cotton picking season. Here there were only 150. Costly and less efficient cotton-picking machines had to be imported to cope with the crop.

Mr Wright blames the labour problem on the fact that the workers have little to buy with the money they make – so they leave after earning a few kwacha.

"We have to develop some infrastructure in the area in terms of clinics and schools and certainly a supermarket," he says. Even so, the company expects it will eventually have to use migrant workers from other areas of Zambia.

Other headaches include a shortage of trucks in Zambia to transport the crops (Mr Wright suggests that the farm establish its own cotton gin) and delays at the central bank in dealing with the financial arrangements - notwithstanding President Kenneth Kaunda's open enthusiasm for such farm projects.

With a six-week window around October for reaping wheat and sowing cotton, and another six weeks around May for the reverse process, the crucial timing needed for full yields from both crops has not yet been achieved.

However, investors in the farm remain confident of success, and attribute the failure of many past African farming ventures to their dependence on governments or the World Bank and lack of private sector motivation.

"The development has been extremely successful," says Mr Wright.

Pakistani sugar crop climbs to record level

By Christina Lamb in Islamabad

PAKISTAN'S sugar industry has achieved its highest ever production figure of 1.75m tonnes this year – 35 per cent up on last year's outturn.

Next year's production of sugar cane is expected to be even higher because of good monsoon rains.

Pakistan is still a long way from achieving self-sufficiency in sugar production, however.

The country imported almost 400,000 tonnes of sugar in 1987-88, compared with 749,000 tonnes in 1986-87 to help meet its domestic requirement of 1.8m tonnes, which is expected to rise to 1.9m next year because of the sharp increase in population.

Pakistan has one of the lowest per capita sugar consumption rates – only 15 kg to 17 kg compared with an average of 60 kg to 70 kg in developed countries.

WORLD COMMODITIES PRICES

LONDON MARKETS

BASE METAL prices were lower across the board on the LME yesterday as sterling firmed against the dollar. Three-month grade A copper closed at the day's low, while aluminium prices fell sharply against a background of market talk that significant progress had been made at the Alcan Kitimat smelter labour talks. In contrast gold recovered from an early fall to close at the day's high on the bullion market. However, it failed to take the full benefit of an easier dollar in relatively thin conditions, as market operators showed some caution after the sharp drop in the gold price at the start of the week, dealers said. Cocoa prices recovered from an early fall to close near the day's highs, tracking a similar upturn in New York.

SPOT MARKETS

Crude oil (per barrel FOB September)		+ or -
Dubai	$13.50-3.70y	+0.08
Brent Blend	$15.45-5.55z	+0.10
W.T.I. (1 pm est)	$16.05-6.10y	+0.10
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$183-185	
Gas Oil	$133-135	+1
Heavy Fuel Oil	$71-73	
Naphtha	$140-142	+2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$433.00	+1.50
Silver (per troy oz)♣	700c	-2
Platinum (per troy oz)	$528.85	-9.90
Palladium (per troy oz)	$128.50	+1.5
Aluminium (free market)	$2700	-150
Copper (US Producer)	107⅝-109c	+⅛
Lead (US Producer)	38c	
Nickel (free market)	680c	-30
Tin (European free market)	£4205	-30
Tin (Kuala Lumpur market)	18.81r	-0.02
Tin (New York)	337.00c	-0.25
Zinc (Euro. Prod. Price)	$1200	
Zinc (US Prime Western)	65⅝c	
Cattle (live weight)†	114.58p	-0.45*
Sheep (dead weight)†	188.31p	-25.1*
Pigs (live weight)†	68.20p	-1.82*
London daily sugar (raw)	$327x	-32
London daily sugar (white)	$297x	-33
Tate and Lyle export price	£302.5	-19.0
Barley (English feed)	£101.5z	-1.0
Maize (US No. 3 yellow)	£143.5w	
Wheat (US Dark Northern)	£120.25z	
Rubber (spot)♥	78.00p	-1.75
Rubber (Sep)♥	82.25p	-1.75
Rubber (Oct)♥	82.50p	-1.75
Rubber (KL RSS No 1 Aug)	351.5m	-1.5
Coconut oil (Philippines)§	$610x	
Palm Oil (Malaysian)§	$465z	
Copra (Philippines)§	$425	
Soyabeans (US)	$179	-10
Cotton "A" index	61.90c	-0.75
Wooltops (64s Super)	650p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Aug/Sep. s-Sep/Oct. z-Aug. q-Aug/Oct. w-Jul/Aug. y-Sep. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Jly	925	910	918 905
Sep	943	927	945 918
Dec	944	938	945 928
Mar	953	948	956 940
May	967	960	968 955
Jul	987	978	981 975
Sep	1005	993	999 990

Turnover: 11029 (11767) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for July 26: 1184.55 (1216.58) :10 day average for July 27: 1235.11 (1244.46) .

COFFEE £/tonne

	Close	Previous	High/Low
Jly	1035	1068	1055 1044
Sep	1046	1083	1088 1035
Nov	1055	1088	1078 1045
Jan	1065	1090	1080 1060
Mar	1070	1095	1084 1073
May	1067	1105	1089 1078
Jly	1075	1112	1095

Turnover: 3770 (4966) lots of 15 tonnes
ICCO indicator prices (US cents per pound) for July 26 :Comp. daily 113.92 (115.68); . 15 day average 114.61 (114.53).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Aug	278.00	286.00	288.00 270.00
Oct	264.00	273.00	284.00 258.00
Dec	290.00	290.00	267.00
Mar	238.00	244.40	253.00 232.00
May	237.00	242.00	248.00 241.50
Aug	234.00	239.00	239.00 238.00
Oct	232.00	237.00	236.00

White	Close	Previous	High/Low
Oct	277.00	287.00	293.00 272.00
Dec	283.00	264.00	283.00
Mar	272.00	282.50	268.00 270.00
May	272.00	281.00	272.00
Aug	283.00	281.00	286.00 282.00
Oct	281.00	281.00	286.00 280.00

Turnover: Raw 6512 (11241) lots of 50 tonnes. White 1638 (909) .
Paris- White (FFr per tonne): Oct 1795, Dec 1790, Mar 1770, May 1770, Aug 1770 Oct 1775

GAS OIL $/tonne

	Close	Previous	High/Low
Aug	136.00	133.75	134.75 132.50
Sep	135.50	134.50	135.50 133.50
Oct	137.00	136.25	137.25 135.00
Nov	138.25	137.00	138.25 136.25
Dec	139.25	138.50	139.25 136.50
Jan	138.00	137.25	138.00

Turnover 3955 (3913) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Sep	106.25	106.15	106.25 106.00
Nov	108.50	108.35	108.65 108.20
Jan	111.50	111.25	111.50 111.10
Mar	114.00	113.85	114.00 113.70
May	116.60	116.40	116.60

Barley	Close	Previous	High/Low
Sep	100.90	100.80	100.90 100.50
Nov	103.95	103.75	103.95 103.60
Jan	106.75	106.75	106.75 106.65
Mar	108.95	108.90	108.95 108.70
May	110.75	110.80	110.75 110.45

Turnover: Wheat 66 (75) , Barley 98 (173) .
Turnover lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 0 tonne
Cash	2680-700	2840-60		2680-710		
3 months	2560-80	2620-40	2600	2585-600	2570-90	7,319 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 35,250 tonne
Cash	1507-17	1588-93		1540-3		
3 months	1426-28	1463-5	1453/1424	1450-2	1435-7	48,113 lots
Copper, Grade A (£ per tonne)						Ring turnover 41,800 tonne
Cash	1231-3	1273-5	1254/1253	1252-3		
3 months	1234-5	1275-6	1260/1230	1252-3	1236-7	62,866 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1175-85	1210-20		1190-200		
3 months	1175-85	1210-20		1190-200		42 lots
Silver (US cents/fine ounce)						Ring turnover 30,000 ozs
Cash	695-8	701-4	688	686-6.5		
3 months	709-12	715-8		700-2	710-5	534 lots
Lead (£ per tonne)						Ring turnover 6,775 tonne
Cash	338-40	345-7	345/344	343.5-4.5		
3 months	341-2	347.5-8	348/341	347-8	345-4	11,923 lots
Nickel ($ per tonne)						Ring turnover 1,380 tonne
Cash	14750-800	14900-510	14800/14600	14600-50		
3 months	14000-50	14200-50	14200/14000	13950-400	14000-100	6,457 lots
Zinc (£ per tonne)						Ring turnover 11,575 tonne
Cash	711-3	727-8	730/711	729-30		
3 months	699-700	711-2	718/697	716-7	701-3	23,135 lots

POTATOES £/tonne

	Close	Previous	High/Low
Nov	71.0	74.0	72.0 70.0
Feb	84.0	90.0	86.0 85.0
Apr	99.7	109.0	108.5 99.2
May	109.0	120.0	118.5 110.5

Turnover 1044 (395) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Oct	160.20	157.10	160.50 156.00
Dec	164.00	159.00	164.00 159.00
Feb	166.00	161.00	162.00 161.00

Turnover 559 (452) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Jly	1197	1200	1197 1196
Aug	1252	1268	1260 1250
Oct	1404	1405	1407 1404
Jan	1430	1428	1430 1425
Apr	1459	1453	1459 1459
Jly	1268	1255	1395 1266
BFI	1197	1190	

Turnover 113 (88)

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	432¾-433¼	250-250½
Opening	432-432½	251½-252
Morning fix	431.7	252.161
Afternoon fix	432.85	250.71
Day's high	432¾-433¼	
Day's low	430¼-430¾	

Coins	$ price	£ equivalent
Mapleleaf	446-451	259½-272½
Britannia	446-451	259½-272½
US Eagle	446-451	259½-272½
Angel	443-448	256½-259¼
Krugerrand	431-434	249-251
New Sov.	102-103	59-59¾
Old Sov.	102-103½	59-60
Noble Plat	538.7-44.95	313.85-317.5

Silver fix	p/fine oz	US cts equiv
Spot	405.40	692.75
3 months	417.75	707.50
6 months	428.55	722.10
12 months	451.60	754.20

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sept	Nov	Sept	Nov
2450		248		133
2600		173		207
2700		135		256

Aluminium (99.5%)	Calls	Puts
2500	209	83
2650	129	152
2800	73	246

Copper (Grade A)	Calls		Puts	
2050	158	179	67	119
2150	103	132	113	170
2250	64	95	174	231

WOOL

Wool prices show remarkably little change at the first Australian sales of the 1988-89 season. Fine merinos were slightly dearer on the first day, but since then no price tendency has been clear. Bradford meanwhile is a dull market, with new business only spasmodically reported. Holidays are of course a major factor, and Bradford's annual fortnight is due to start this weekend. The lack of new business and competitive prices related to it are however more important than distortions in production and deliveries. The combination of high interest rates and a relatively high rate for sterling has unhappy memories for the wool textile industry. Prices for tops still show little change. Typical quotations are 652p per kg. For 64s super and 476p for 58s

US MARKETS

Trading in the precious metals was less active than previous days, reports Drexel Burnham Lambert. Gold, silver and platinum prices advanced slightly in quiet featureless activity. Copper prices gained 95 in the September contract to close at 94.95. The July future was in its last trading day adding to the market switch activity. Rumours about a disagreement among coffee producers price quota sent prices down over 800. Sugar futures also fell sharply. Prices were steady early in the day, but late day selling touched off commission house sell stops. Other grain markets were mixed. Soybeans and wheat gained on light short covering. Corn prices slipped in lackbuster trading. In the meat markets live cattle prices rose above 68.60 in October. Anticipation of the cattle inventory report this Friday was the main reason for the advance.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jul	433.3	431.1	0	0
Aug	433.5	431.7	434.1	430.9
Sep	436.2	434.4	437.5	435.8
Oct	439.0	437.4	439.5	438.0
Dec	444.5	443.0	445.1	441.4
Feb	450.2	448.7	450.5	449.3
Apr	456.0	454.5	455.8	454.5
Jun	461.9	460.4	463.0	462.0
Aug	468.0	466.5	467.0	467.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	533.8	532.6	538.5	527.0
Jan	540.6	538.9	544.0	535.0
Apr	547.8	545.9	552.0	549.0
Jul	555.3	553.4	0	0
Oct	562.8	0	564.0	564.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jul	696.4	689.0	701.0	696.0
Aug	696.5	689.7	696.0	696.0
Sep	702.0	694.0	709.0	695.0
Dec	717.9	709.5	724.5	710.0
Jan	722.8	714.3	715.0	715.0
Mar	733.2	724.5	739.0	726.0
May	743.9	735.0	745.0	745.0
Jul	755.6	746.5	760.0	753.0
Sep	767.3	758.0	0	0
Dec	786.2	775.6	793.0	783.0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	95.55	87.30	97.50	94.80
Aug	95.55	86.00	95.70	95.20
Sep	94.95	94.00	95.20	93.20
Dec	90.45	89.00	90.60	88.30
Jan	89.45	88.20	0	0
Mar	87.45	86.50	87.70	86.30
May	86.25	85.50	85.60	85.50
Jul	85.25	84.50	86.60	85.50
Sep	84.25	83.50	85.00	85.00
Dec	83.25	82.50	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Sep	16.12	15.96	16.17	15.82
Oct	16.21	16.04	16.26	15.90
Nov	16.28	16.09	16.33	15.98
Jan	16.42	16.26	16.43	16.12
Mar	16.30	16.34	0	0
Apr	16.30	16.37	16.30	16.30
May	16.45	16.40	16.45	16.30

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Aug	4485	4381	4500	4355
Sep	4515	4428	4535	4410
Nov	4650	4554	4655	4580
Jan	4760	4662	4770	4670
Feb	4710	4615	4710	4625
Mar	4480	4470	4500	4460
Apr	4345	4370	4345	4345
May	4375	4300	4375	4305

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1503	1480	1514	1476
Dec	1504	1495	1514	1483
Mar	1518	1510	1526	1501
May	1540	1526	1540	1530
Jul	1561	1555	1565	1557
Sep	1592	1586	0	0
Dec	1615	1623	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	124.05	132.95	133.30	124.00
Dec	125.72	132.74	133.25	124.60
Mar	125.08	131.08	131.50	125.08
May	124.75	130.15	131.00	124.15
Jul	124.00	130.00	130.00	124.00
Sep	124.01	130.01	0	0
Dec	123.00	129.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	11.35	12.06	12.44	11.25
Jan	10.11	11.06	11.65	10.00
Mar	10.38	10.53	11.03	10.36
May	11.30	11.86	11.30	11.30
Jul	11.02	11.32	11.02	11.02
Oct	10.76	11.26	10.76	10.76

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	56.80	57.36	57.70	56.80
Dec	55.63	56.00	56.25	55.63
Mar	56.10	56.70	56.85	56.10
May	57.00	57.17	57.40	56.95
Jul	57.45	57.65	57.85	57.45
Oct	58.15	58.00	58.25	58.15
Dec.	57.85	57.60	58.00	57.80

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	186.95	184.35	187.80	183.75
Nov	178.95	177.40	179.20	177.25
Jan	172.40	171.20	173.00	171.25
Mar	171.40	170.00	171.60	171.15
May	170.40	169.00	170.50	170.50
Jul	169.15	168.00	0	0
Sep	169.15	168.00	0	0
Nov	169.15	168.00	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

July 26	July 25	mnth ago	yr ago
1943.2	1932.0	1992.1	1624.8

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	131.82	135.03	140.65	128.30
Futures	135.63	138.98	143.55	127.57

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Aug	753/4	755/4	781/0	740/0
Sep	760/0	760/0	786/0	751/0
Nov	764/0	758/0	788/0	754/0
Jan	767/0	758/4	788/0	758/0
Mar	768/4	755/0	791/0	760/0
May	764/0	747/0	785/0	757/0
Jul	762/0	747/4	781/0	755/0
Aug	740/0	727/0	0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	24.92	25.22	25.90	24.80
Sep	25.17	25.47	26.10	25.05
Oct	25.35	25.67	26.40	25.35
Dec	25.77	25.98	26.80	25.75
Jan	25.97	25.95	26.95	25.95
Mar	26.10	26.00	27.05	26.10
May	25.90	26.20	27.10	25.90
Jul	25.85	26.10	26.98	26.65

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Aug	234.7	235.2	241.5	232.0
Sep	231.2	230.2	238.0	228.5
Oct	228.7	228.0	235.5	226.5
Dec	227.7	225.1	234.0	225.5
Jan	226.0	223.6	232.5	225.0
Mar	223.5	221.7	231.0	222.0
May	225.0	221.5	230.0	224.0
Jul	226.0	222.5	229.0	221.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	279/6	287/4	293/0	278/0
Dec	287/0	295/4	301/4	285/0
Mar	293/4	299/2	306/4	292/0
May	295/0	300/0	307/0	294/0
Jul	292/4	299/2	302/0	292/0
Sep	271/4	269/0	277/0	270/0
Dec	259/4	257/4	263/0	257/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	361/4	351/6	369/4	357/0
Dec	375/0	364/6	381/4	369/4
Mar	377/6	368/0	383/4	373/0
May	356/0	353/0	366/0	356/0
Jul	331/0	327/0	340/0	328/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	66.45	65.87	66.85	66.05
Oct	68.62	67.65	69.07	67.95
Dec	71.40	70.92	72.00	70.96
Feb	72.37	71.85	72.65	71.90
Apr	73.37	72.85	73.87	72.90
Jun	73.37	72.72	73.65	73.00
Aug	70.85	70.00	71.40	70.80
Sep	71.00	71.00	0	0

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Aug	45.37	45.30	46.25	45.18
Oct	39.95	39.82	40.60	39.55
Dec	42.35	42.57	43.30	42.27
Feb	44.52	45.20	45.75	44.46
Apr	44.17	44.90	45.37	43.96
Jul	49.50	50.20	50.70	49.35
Aug	49.15	49.30	49.15	0

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	32.95	34.80	35.57	32.80
Feb	52.95	52.75	54.00	52.50
Mar	52.62	52.62	54.00	52.55
May	53.90	54.15	55.30	53.87
Jul	53.80	54.02	55.30	53.80
Aug	52.77	53.02	53.25	52.77

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar slips on GNP data

THE SPECULATIVE surge which has underpinned the dollar's rise since last Friday, came to an abrupt halt yesterday, with the release of disappointing US GNP data. Second quarter growth rose by an annualised 3.1 p.c. against 3.6 p.c. in the first quarter. While the rate of industrial growth appeared to have slowed, the rate of inflation continued to rise, with a 4.1 p.c. second quarter price deflator. Many analysts rely on the fixed weight price index, which showed an even larger increase of 4.7 p.c.

At first glance, the figures were seen as presenting the worst of both worlds - falling growth and rising inflation. However, analysts were quick to point out that there was a significant reduction in stockbuilding, which had not been expected until the third quarter, and stripping out this negative element gave a rise of nearer 5 p.c.

But this was not enough to provide relief for the dollar, especially after persistent intervention by the Bundesbank and the US Federal Reserve, and modest sales by the Bank of Italy. The US unit had been as high as DM1.8760 before the figures were announced, but slumped soon after to DM1.8550. The weaker trend continued and the dollar finished in London at DM1.8490, down from DM1.8605 on Tuesday. It was also lower against the yen at Y131.65 from Y132.50. Elsewhere it finished at FFr6.2325 from FFr6.2725 and SFr1.5385 compared with SFr1.5455. On Bank of England figures, the dollar's exchange rate index fell from 98.3 to 97.7. Most investors were probably content to wait for the dust to settle before making a fresh commitment.

Sterling fluctuated quite sharply before finishing towards the day's best level. Disappointing trade figures for June, which were released two hours before US GNP data, pushed the pound weaker, but the trend was quickly reversed after the dollar started to decline. However the pound's recovery was initially only against the dollar, and it was only later in the afternoon that it broke above DM3.19 once again. There were no obvious signs of intervention by the Bank of England but the key DM3.20 level remained intact.

The pound closed at DM3.1925 from DM3.1875 and Y227.25 against Y227.00. It was also higher against the Swiss franc at SFr2.6550 from SFr2.6475 and FFr10.7575 compared with FFr10.7475. Against the dollar it improved to $1.7260 from $1.7135. On Bank of England figures, the pound's exchange rate index rose to 76.5 from 76.4 at the opening and 76.2 on Tuesday.

The D-Mark fared badly against the yen during the morning, falling to a record low of Y71.07 at noon. It recovered soon after however, as the dollar fell sharply against the D-Mark but only slightly in yen terms. The West German unit was quoted at Y71.21 later in the day, but dealers were still expecting the yen to move to new highs against the D-Mark.

Investors took note of comments from the Bank of Japan, which stressed that a further fall in the yen's value would be inconsistent with Japan's favourable economic performance.

£ IN NEW YORK

July 27	Latest	Previous Close
£ Spot	1.7260-1.7270	1.7085-1.7095
1 month	0.37-0.36pm	0.36-0.35pm
3 months	1.09-1.06pm	1.06-1.02pm
12 months	3.52-3.42pm	3.39-3.29pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	July 27	Previous
8.30 am	76.4	76.4
9.00 am	76.4	76.4
10.00 am	76.4	76.4
11.00 am	76.3	76.4
Noon	76.2	76.4
1.00 pm	76.2	76.3
2.00 pm	76.5	76.2
3.00 pm	76.5	76.3
4.00 pm	76.5	76.2

CURRENCY RATES

July 27	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.759138	0.658802
U.S Dollar	6	1.30549	1.11237
Canadian $	8.75	1.57768	1.34875
Austrian Sch.	3¾	16.0818	14.6444
Belgian Franc	7	50.7183	43.6246
Danish Krone	7	9.16454	7.90899
Deutsche Mark	3	2.42195	2.08370
Neth. Guilder	3½	2.73500	2.36145
French Franc	9½	8.16910	7.02131
Italian Lira	12½	1790.77	1539.86
Japanese Yen	2½	172.651	148.168
Norway Krone	8	8.75331	7.55525
Spanish Peseta	-	159.989	137.656
Swedish Krona	8½	8.29660	7.13533
Swiss Franc	2½	2.01582	1.75292
Greek Drach.	20½	203.349	166.656
Irish Punt	-	0.904333	0.775552

*All SDR rates are for July 26

CURRENCY MOVEMENTS

July 27	Bank of England Index	Morgan** Guaranty Changes %
Sterling	76.5	-16.0
U.S Dollar	92.7	-9.8
Canadian Dollar	80.1	-7.1
Austrian Schilling	133.6	+9.7
Belgian Franc	97.8	-6.2
Danish Kroner	89.9	+0.7
Deutsche Mark	143.2	+20.3
Swiss Franc	167.[illegible]	+20.8
Guilder	132.4	+12.9
French Franc	69.2	-14.7
Lira	46.3	-20.8
Yen	241.8	+78.4

Morgan Guaranty Changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100). *Rates are for July 26.

OTHER CURRENCIES

July 27	£	$
Argentina	17.9600-17.9800	10.3800-10.3400
Australia	2.1290-2.1305	1.2340-1.2370
Brazil	404.35-406.30	233.85-235.00
Finland	7.5600-7.5850	4.4040-4.4060
Greece	253.10-257.50	147.40-149.90
Hong Kong	13.4805-13.5060	7.8000-7.8080
Iran	121.50*	69.50*
Korea(Sth)	1232.35-1242.30	721.10-726.90
Kuwait	0.48050-0.48250	0.28025-0.28035
Luxembourg	66.65-66.75	38.60-38.70
Malaysia	4.5375-4.5385	2.6300-2.6330
Mexico	3935.30-3985.35	2284.80-2292.00
N. Zealand	2.5990-2.5940	1.5130-1.5145
Saudi Ar.	6.4780-6.4830	3.7505-3.7515
Singapore	3.5185-3.5260	2.0350-2.0390
S. Af (Cm)	4.2355-4.2525	2.4470-2.4490
S. Af (Fn)	6.0090-6.1195	3.4780-3.5400
Taiwan	48.85-49.10	28.55-28.70
U.A.E.	6.3365-6.3425	3.6725-3.6735

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 27	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.6246	+2.75	+1.14	±1.5344
Danish Krone	7.85212	7.90899	+0.72	-0.89	±1.5404
German D-Mark	2.05853	2.08370	+1.22	-0.39	±1.0981
French Franc	6.90403	7.02131	+1.70	+0.09	±1.3674
Dutch Guilder	2.31943	2.36145	+1.38	-0.23	±1.5012
Irish Punt	0.768411	0.775552	+0.93	-0.68	±1.6684
Italian Lira	1483.58	1539.86	+3.79	+2.81	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

July 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7005-1.7350	1.7255-1.7265	0.37-0.34cpm	2.47	1.06-1.01pm	2.40
Canada	2.0590-2.0915	2.0835-2.0845	0.26-0.16cpm	1.21	0.63-0.51pm	1.09
Netherlands	3.59½-3.61	3.59¾-3.60¾	2-1¾cpm	5.84	5¼-4⅞pm	5.55
Belgium	66.35-67.05	66.65-66.75	29-15cpm	3.96	71-56pm	3.78
Denmark	12.08-12.13¼	12.09¾-12.10¾	3¼-1⅝orepm	2.35	8¼-6¼pm	2.40
Ireland	1.1840-1.1895	1.1855-1.1865	0.33-0.23ppm	2.83	1.00-0.80pm	3.04
W. Germany	3.18¼-3.19½	3.19-3.19¼	1⅞-1¾pfpm	6.10	4⅞-4¾pm	5.79
Portugal	256.00-259.35	258.15-259.15	34-89cdis	-2.85	99-208dis	-2.31
Spain	210.15-211.15	210.15-210.45	12pm-8cdis	0.11	25-3pm	0.27
Italy	2353½-2366	2357½-2358½	par-2liredis	-0.51	par-4dis	-0.34
Norway	11.53¼-11.60¼	11.58-11.59	2¼-3oredis	-2.65	6½-7½dis	-2.95
France	10.73¼-10.79	10.75¼-10.76¼	3¼-2⅛cpm	3.35	9¼-8pm	3.18
Sweden	10.89¼-10.98½	10.94¼-10.95¼	½pm-¼oredis	-0.07	1¼-¼pm	0.27
Japan	226¼-228	226¾-227¾	1¼-1ypm	6.60	3¾-3¼pm	6.16
Austria	22.37-22.48	22.43-22.48	9¼-8gropm	4.74	28¾-24¼pm	4.77
Switzerland	2.64½-2.66	2.65-2.66	1⅝-1½cpm	7.26	4⅝-4¼pm	6.78

Belgian rate is convertible francs. Financial franc 67.35-67.45. Six-month forward dollar 1.92-1.87cpm 12 months 3.35-3.25cpm.

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

July 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7005-1.7350	1.7255-1.7265	0.37-0.34cpm	2.47	1.06-1.01pm	2.40
Ireland†	1.4325-1.4550	1.4535-1.4545	0.10-0.15cdis	-1.03	0.28-0.38dis	-0.91
Canada	1.2045-1.2130	1.2070-1.2080	0.11-0.14cdis	-1.24	0.38-0.41dis	-1.31
Netherlands	2.0750-2.1170	2.0845-2.0855	0.60-0.58cpm	3.39	1.71-1.68pm	3.25
Belgium	38.55-39.25	38.60-38.70	5.50-4.00cpm	1.47	14.00-12.00pm	1.34
Denmark	7.00¾-7.12	7.01-7.01½	0.20-0.30orepm	0.09	0.20-0.30pm	0.09
W. Germany	1.8380-1.8760	1.8485-1.8495	0.56-0.52pfpm	3.50	1.56-1.52pm	3.33
Portugal	149¾-151¼	149¾-150	50-75cdis	-5.02	145-195dis	-4.55
Spain	121.50-123.85	121.70-121.80	20-30cdis	-2.45	62-72dis	-2.23
Italy	1360-1385	1365¾-1366¾	2.20-2.90liredis	-2.24	8.80-9.50dis	-2.68
Norway	6.71-6.79½	6.71-6.71½	2.80-2.95oredis	-5.13	8.00-8.20dis	-4.82
France	6.21-6.32	6.23-6.23½	0.55-0.45cpm	0.96	1.50-1.25pm	0.88
Sweden	6.33¾-6.42	6.34-6.34½	1.25-1.35orediS	-2.46	3.35-3.55dis	-2.17
Japan	131.00-133.25	131.60-131.70	0.46-0.43ypm	4.05	1.25-1.21pm	3.75
Austria	12.97¾-13.16¼	12.97½-12.98	2.85-1.95gropm	2.22	9.00-6.70pm	2.42
Switzerland	1.5380-1.5605	1.5380-1.5390	0.65-0.61cpm	4.91	1.72-1.67pm	4.40

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 39.08-39.10.

EURO-CURRENCY INTEREST RATES

July 27	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	9¾-9½	9⅞-9⅝	10½-10⅜	10⅞-10¾	11-10⅞	11-10⅞
US Dollar	7¾-7⅝	7⅞-7¾	8⅛-8	8⅜-8¼	8⅝-8½	8⅞-8¾
Can. Dollar	8¾-8½	9-8¾	9⅛-8⅞	9½-9¼	10-9¾	10¼-10
D. Guilder	4⅝-4½	4⅝-4½	4⅞-4¾	5⅛-5	5⅜-5¼	5⅝-5½
Sw. Franc	3½-3¼	3½-3⅜	3⅝-3½	3⅞-3¾	4⅛-4	4⅜-4¼
Deutschmark	4⅝-4½	4⅝-4½	4⅝-4½	5-4⅞	5⅜-5¼	5⅝-5½
Fr. Franc	7⅛-7	7⅛-7	7¼-7⅛	7½-7⅜	7¾-7⅝	8⅛-8
Italian Lire	11-9	10½-9½	10½-10	11¼-10¾	11⅜-11⅛	11⅝-11⅜
B. Fr. (Fin)	6⅝-6½	6⅝-6½	6⅞-6¾	7⅛-7	7⅜-7¼	7⅝-7½
B. Fr. (Con)	6⅝-6⅜	7-6⅝	6⅞-6⅝	7⅛-6⅞	7⅜-7	7⅝-7¼
Yen	4⅛-3⅞	4⅛-4	4¼-4⅛	[illegible]	[illegible]	[illegible]
D. Krone	8⅝-8⅜	8⅝-7⅝	8⅛-7⅞	[illegible]	[illegible]	[illegible]
Asian $Sing	7⅝-7½	8-7⅝	8⅛-7⅞	[illegible]	[illegible]	[illegible]

Long term Eurodollars; two years 9⅛-8⅞ per cent; three years 9¼-9 per cent; four years 9⅜-9⅛ per cent; five years 9½-9¼ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

July 27	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.726	3.193	227.3	10.76	2.655	3.598	2356	2.084	66.70
$	0.579	1	1.850	131.7	6.234	1.538	2.085	1365	1.207	38.64
DM	0.313	0.541	1	71.19	3.370	0.832	1.127	738.5	0.653	20.89
YEN	4.399	7.593	14.05	1000.	47.34	11.68	15.83	10374	9.168	293.4
F Fr.	0.929	1.604	2.967	211.2	10.	2.467	3.344	2191	1.937	61.99
S Fr.	0.377	0.650	1.203	85.61	4.053	1	1.355	888.1	0.785	25.12
H Fl.	0.278	0.480	0.887	63.17	2.991	0.738	1	655.4	0.579	18.54
Lira	0.424	0.732	1.354	96.40	4.563	1.126	1.526	1000.	0.884	28.29
C $	0.480	0.828	1.532	109.1	5.163	1.274	1.726	1131	1	32.01
B Fr.	1.499	2.588	4.787	340.8	16.13	3.981	5.394	3535	3.124	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Strong pound boosts values

THE COMBINATION of poor UK trade data and disappointing US GNP was hardly a combination for establishing a positive trend in yesterday's Liffe market. Long gilt prices started with a firmer bias, underpinned by sterling's early improvement, but the trend was quickly reversed on news of a £1.02bn current account deficit in June.

However attempts to push values lower were met with little success, and with the dollar falling after US GNP figures were announced, so investors continued to buy gilts. The September price opened at 94-12 up from 94-10 on Tuesday, and touched a high of 94-21 before finishing at 94-17.

Three-month sterling deposits were pushed lower, as cash rates rose after the trade figures, and it was not until sterling recovered in the afternoon that institutions came back into the market to push values towards the day's highs. The September price fell from an opening level of 89.04 to a low of 88.96, before recovering to 89.12 at the close, up from 89.03 on Tuesday. Trading volume was much improved after a lacklustre start to the week, with over 18,000 lots trade in short sterling.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
88	634	656	0	4
90	436	501	2	13
92	239	319	5	31
94	61	156	27	104
96	12	61	142	209
98	2	29	332	341
100	0	13	530	525

Estimated volume total, Calls 1545 Puts 1260
Previous day's open int. Calls 29010 Puts 36601

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
80	629	624	1	40
82	434	449	6	101
84	246	325	18	141
86	116	215	52	231
88	28	123	200	339
90	8	52	344	504
92	3	29	539	645

Estimated volume total, Calls 763 Puts 391
Previous day's open int. Calls 1217 Puts 1573

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Aug	Calls-settlements Sep	Puts-settlements Aug	Puts-settlements Sep
17000	1363	1416	13	66
17500	906	1005	56	155
18000	523	663	173	313
18500	253	402	403	552
19000	99	223	749	873
19500	31	113	1181	1263
20000	8	52	1658	1702

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 6 Puts 112

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-settlements Aug	Calls-settlements Sep	Puts-settlements Aug	Puts-settlements Sep
155	1765	1765	0	6
160	1265	1265	1	27
165	765	801	17	96
170	353	434	108	249
175	108	220	363	515
180	19	89	774	884
185	2	30	1257	1325

Estimated volume total, Calls 0 Puts 20
Previous day's open int. Calls 703 Puts 123

LIFFE EURODOLLAR OPTIONS
£1m points of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
9075	86	71	2	20
9100	62	55	3	29
9125	41	40	7	39
9150	24	28	15	52
9175	10	19	26	68
9200	5	12	46	86
9225	2	7	68	106

Estimated volume total, Calls 33 Puts 20
Previous day's open int. Calls 1310 Puts 2404

LIFFE SHORT STERLING

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
8850	74	100	12	21
8875	55	82	18	28
8900	39	66	27	37
8925	27	51	40	47
8950	18	39	56	60
8975	11	29	74	75
9000	6	20	94	91

Estimated volume total, Calls 1075 Puts 1514
Previous day's open int. Calls 12317 Puts 11211

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls Aug	Calls Sep	Calls Oct	Calls Dec	Puts Aug	Puts Sep	Puts Oct	Puts Dec
1.650	7.89	8.26	8.37	9.10	0.06	0.87	1.31	2.56
1.675	5.59	6.29	6.63	7.43	0.29	1.45	2.02	3.45
1.700	3.58	4.58	5.03	5.96	0.89	2.18	2.84	4.42
1.725	2.02	3.18	3.69	4.70	1.71	3.28	4.01	5.61
1.750	1.01	2.13	2.64	3.65	3.24	4.73	5.45	7.04
1.775	0.43	1.40	1.92	2.79	5.15	6.43	7.11	8.63
1.800	0.13	0.85	1.29	2.09	17.35	18.36	8.85	10.37

Previous day's open int: Calls 552,257 Puts 497,519
Previous day's volume: Calls 11,830 Puts 16,353

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls-settlements Aug	Calls-settlements Sep	Calls-settlements Oct	Calls-settlements Dec	Puts-settlements Aug	Puts-settlements Sep	Puts-settlements Oct	Puts-settlements Dec
1.650	7.90	8.30	8.55	9.15	0.35	1.20	1.70	2.85
1.700	3.55	4.65	5.20	6.05	1.05	2.55	3.30	4.75
1.750	1.15	2.35	2.80	4.35	3.55	5.10	5.90	7.45
1.800	0.35	1.20	1.56	2.35	7.80	8.80	9.45	10.75
1.850	0.35	0.40	1.35	1.45	12.70	13.25	13.70	14.65
1.900	0.30	0.40		1.10	11.60	11.70		12.20
1.950	0.30	0.40		1.30	16.40	11.40		17.60

Estimated volume total, Calls N/A Puts N/A
Previous day's open int: Calls 424 Puts 203

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Sep	94-17	94-21	94-09	94-10
Dec	94-26	94-29	94-25	94-18

Estimated Volume 10671 (6572)
Previous day's open int. 43439 (43557)

7-10 YEAR 9% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Sep	94-09			94-08
Dec				

Estimated Volume 0 (22)
Previous day's open int. 78 (100)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low	Prev.
Sep	102.85	102.85	102.45	102.72
Dec	101.12			100.95

Estimated Volume 849 (555)
Previous day's open int. 905 (883)

THREE MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
Sep	89.12	89.17	88.96	89.03
Dec	89.29	89.35	89.16	89.21
Mar	89.46	89.53	89.40	89.43
Jun	89.58	89.64	89.58	89.57

Est. Vol. (inc. figs. not shown) 19959 (10553)
Previous day's open int. 40411 (40945)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Sep	183.50	183.60	182.30	183.25
Dec	185.15			184.85
Mar				

Estimated Volume 1165 (1567)
Previous day's open int. 9984 (9953)

THREE MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
Sep	91.59	91.61	91.54	91.58
Dec	91.26	91.26	91.22	91.26
Mar	91.20	91.20	91.17	91.21
Jun	91.03	91.04	91.02	91.04

Est. Vol. (inc. figs. not shown) 7459 (4607)
Previous day's open int. 37597 (37360)

US TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Sep	86-14	86-19	86-03	86-11
Dec	85-24			85-18
Mar				

Estimated Volume 9027 (7989)
Previous day's open int. 7308 (7230)

CURRENCY FUTURES

LIFFE-STERLING £25,000 $ per £

	Close	High	Low	Prev.
Sep	1.7205	1.7180	1.7105	1.7052
Dec	1.7119			1.6957
Mar	1.7037			1.6882

Estimated Volume 3 (17)
Previous day's open int. 167 (156)

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7260	1.7225	1.7157	1.7071	1.6930

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Sep	1.7218	1.7300	1.6974	1.7054
Dec	1.7134	1.7190	1.6890	1.6954
Mar	1.7050	1.7100	1.6800	1.6874

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Sep	86-17	86-19	86-04	86-17
Dec	85-28	85-29	85-14	85-27
Mar	85-08	85-08	84-28	85-06
Jun	84-20	84-20	84-18	84-18
Sep	84-00	84-00	83-26	84-00
Dec	-	-	-	83-15
Mar	-	-	-	82-31
Jun	-	-	-	82-16
Sep	-	-	-	82-02
Dec	-	-	-	81-20
Mar	-	-	-	81-07

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Sep	92.92	92.96	92.88	92.96
Dec	92.67	92.71	92.63	92.71
Mar	92.62	-	92.62	92.66
Jun	92.44	92.50	92.43	92.49
Sep	92.32	-	92.32	92.39
Dec	-	-	-	92.32
Mar	-	-	-	92.27

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Sep	0.6552	0.6582	0.6462	0.6520
Dec	0.6624	0.6650	0.6529	0.6590
Mar	0.6685	0.6700	0.6600	0.6655

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Sep	0.7638	0.7657	0.7546	0.7599
Dec	0.7708	0.7723	0.7616	0.7668
Mar	0.7770	0.7780	0.7685	0.7735
Jun	0.7850	0.7850	0.7770	0.7812

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
Sep	0.5440	0.5465	0.5361	0.5413
Dec	0.5479	0.5510	0.5400	0.5456
Mar	-	-	-	0.5498

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Sep	91.59	91.62	91.54	91.60
Dec	91.25	91.28	91.21	91.27
Mar	91.19	91.22	91.17	91.21
Jun	91.02	91.05	91.00	91.05
Sep	90.88	90.90	90.87	90.92
Dec	90.77	90.80	90.76	90.82
Mar	90.69	90.72	90.68	90.75
Jun	90.64	90.66	90.62	90.69

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Sep	265.75	266.50	265.25	266.15
Dec	268.15	268.80	267.80	268.50
Mar	270.20	270.80	270.10	270.65
Jun	272.20	272.70	272.00	272.60

EUROPEAN OPTIONS EXCHANGE

Series		Aug. 88 Vol	Aug. 88 Last	Nov. 88 Vol	Nov. 88 Last	Feb. 89 Vol	Feb. 89 Last	Stock
GOLD C	$440	41	3.90	20	16 B	2	27 B	$433.20
GOLD C	$460	15	0.50	30	9 B	20	17	$433.20
GOLD C	$500	26	0.10	-	-	56	6.50	$433.20
GOLD P	$420	163	2.70	-	-	157	9	$433.20
GOLD P	$440	250	11 A	-	-	-	-	$433.20
GOLD P	$460	40	30	8	30	-	-	$433.20
GOLD P	$480	30	50	11	49	-	-	$433.20
		Sep. 88		Dec. 88		Mch. 89		
SILVER C	$700	30	40	-	-	3	80	$698
SILVER C	$800	30	15	3	40	-	-	$698
SILVER P	$750	-	-	80	70	-	-	$698
		Aug. 88		Sep. 88		Oct. 88		
EOE Index C	Fl. 220	9	21	-	-	206	21	Fl. 240.05
EOE Index C	Fl. 225	111	15.50 A	16	16.50	-	-	Fl. 240.05
EOE Index C	Fl. 230	168	11.30	5	13.30	-	-	Fl. 240.05
EOE Index C	Fl. 235	255	8	51	9.30	-	-	Fl. 240.05
EOE Index C	Fl. 240	276	5	97	7.50	13	9.20	Fl. 240.05
EOE Index C	Fl. 245	75	3	115	5.40	-	-	Fl. 240.05
EOE Index C	Fl. 250	34	1.90 A	4	3	-	-	Fl. 240.05
EOE Index P	Fl. 225	22	0.70	1	3.30	10	5	Fl. 240.05
EOE Index P	Fl. 230	82	1.80	5	4.50	9	6	Fl. 240.05
EOE Index P	Fl. 235	46	3.30	25	6.10	12	8.80	Fl. 240.05
EOE Index P	Fl. 240	38	5.50	11	8.50	-	-	Fl. 240.05
S/FI C	Fl. 200	15	9 A	169	9.20 A	-	-	Fl. 208.45
S/FI C	Fl. 205	154	4.20	125	5.50 A	44	6.50 A	Fl. 208.45
S/FI C	Fl. 210	539	1.90 A	218	3	64	4	Fl. 208.45
S/FI C	Fl. 215	126	0.50	183	1.50	32	2.30	Fl. 208.45
S/FI P	Fl. 205	58	1.50	211	2.90	-	-	Fl. 208.45
S/FI P	Fl. 210	30	3.50	31	4.80 B	1	6 B	Fl. 208.45
		Oct. 88		Jan. 89		Apr. 89		
ABN C	Fl. 45	1282	2.70	96	3.80	60	4.50	Fl. 46.20
ABN P	Fl. 40	400	0.80	23	1.20	-	-	Fl. 46.20
AEGON C	Fl. 85	58	3.50	7	5.50	-	-	Fl. 83.50
AHOLD C	Fl. 90	53	4.70	5	6.50	-	-	Fl. 88.50
AKZO C	Fl. 150	1221	5.80	272	8.70	26	12 A	Fl. 143.50
AKZO P	Fl. 140	249	4.80	140	7.70 B	-	-	Fl. 143.50
AMEV C	Fl. 50	210	6 A	-	-	-	-	Fl. 55.10
AMRO C	Fl. 75	642	4.10	129	5.80	4	7.20	Fl. 77.10
AMRO P	Fl. 75	171	3.10	5	4.50 A	-	-	Fl. 77.10
BUHRMANN-T C	Fl. 55	1715	2.40	176	3.30	16	4.80	Fl. 53.60
ELSEVIER C	Fl. 65	84	1.80	14	3.40	2	4.50	Fl. 59.50
GIST-BROC. C	Fl. 40	2476	2.90	361	3.90	67	5 A	Fl. 39.20
GIST-BROC. P	Fl. 35	356	1.20	32	2.20	20	2.50	Fl. 39.20
HEINEKEN C	Fl. 150	200	5.30	-	-	-	-	Fl. 147.20
HEINEKEN P	Fl. 140	33	3.50	-	-	-	-	Fl. 147.20
HOOGOVENS C	Fl. 60	920	5.60	109	7.80	23	9.60	Fl. 60
HOOGOVENS P	Fl. 60	340	4.50 B	120	6	37	7.50 B	Fl. 60
KLM C	Fl. 40	714	1.70	115	2.90	28	3.80	Fl. 38.40
KLM P	Fl. 35	22	1.40	99	2.30	25	3	Fl. 38.40
KNP C	Fl. 160	279	9.40	41	13.50	-	-	Fl. 161.20
KNP P	Fl. 160	77	6.50	-	-	1	12	Fl. 161.20
NEDLLOYD C	Fl. 230	56	12.10	-	-	-	-	Fl. 224.70
NAT.NED. C	Fl. 65	375	3	39	4.80 A	7	6.50	Fl. 65.10
NAT.NED. P	Fl. 65	75	3	1007	4.20 B	2	4.70	Fl. 65.10
PHILIPS C	Fl. 35	1306	2.30 A	175	3.30 A	95	3.80 A	Fl. 33.70
PHILIPS P	Fl. 35	473	2.90	40	3.70	103	4.70	Fl. 33.70
ROYAL DUTCH C	Fl. 240	1586	6.50	718	10	39	13.50	Fl. 236.50
ROYAL DUTCH P	Fl. 240	709	11.50	103	12.50	-	-	Fl. 236.50
ROBECO C	Fl. 100	14	0.80	38	1.90	-	-	Fl. 93.80
UNILEVER C	Fl. 120	635	3.50	125	6.20	-	-	Fl. 114
UNILEVER P	Fl. 110	257	3.10	14	5.50 B	15	7	Fl. 114

TOTAL VOLUME IN CONTRACTS : 52,591

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	10½	City Merchants Bank	10½	NatWestminster	10½
Adam & Company	10½	Clydesdale Bank	10½	Northern Bank Ltd	10½
AAB - Allied Arab Bk	10½	Comm. Bk. N. East	10½	Norwich Gen. Trust	10½
Allied Irish Bank	10½	Co-operative Bank	*10½	PRIVATbanken Limited	10½
Henry Ansbacher	10½	Coutts & Co	10½	Provincial Bank PLC	11
ANZ Banking Group	10½	Cyprus Popular Bk	10½	R. Raphael & Sons	10½
Associates Cap Corp	10	Dunbar Bank PLC	10½	Roxburghe G'rantee	10½
Authority Bank	10½	Duncan Lawrie	10½	Royal Bk of Scotland	10½
B & C Merchant Bank	10½	Equatorial Bank plc	10½	Royal Trust Bank	10½
Banco de Bilbao	10½	Exeter Trust Ltd	11	Smith & Willmsn Secs.	10½
Bank Hapoalim	10	Financial & Gen. Sec	10½	Standard Chartered	10½
Bank Leumi (UK)	10½	First National Bank Plc.	10	TSB	10½
Bank Credit & Comm	10½	● Robert Fleming & Co.	10½	UDT Mortgage Exp	‡9.4
Bank of Cyprus	10½	Robert Fraser & Ptnrs.	11½	United Bk of Kuwait	10½
Bank of Ireland	10½	Girobank	10½	United Mizrahi Bank	10½
Bank of India	10½	Grindlays Bank	10½	Unity Trust Bank Plc	10½
Bank of Scotland	10½	● Guinness Mahon	11	Western Trust	10½
Banque Belge Ltd	10½	HFC Bank plc	10½	Westpac Bank Corp.	10½
Barclays Bank	10½	● Hambros Bank	10½	Whiteaway Laidlaw	11
Benchmark Bank PLC	10½	Heritable & Gen Inv Bk	10½	Yorkshire Bank	10½
Berliner Bank AG	10½	● Hill Samuel	§10½		
Brit. Bk of Mid East	10½	C. Hoare & Co.	10½		
● Brown Shipley	10½	Hongkong & Shangh	10½		
Business Mtge Tst	11	Lloyds Bank	10½		
CL Bank Nederland	10½	Meghraj Bank Ltd	10½		
Central Capital	10½	Midland Bank	10½		
● Charterhouse Bank	10½	Mount Bnkg Corp.	10½		
Citibank NA	10½	Nat Bk. of Kuwait	10½		

● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits 4.38% Savewise 7.16%. Top Tier-£10,000+ instant access 9.0% ‡ Mortgage base rate. § Demand deposit 5.½%. Mortgage 10.875% - 11.25%

MONEY MARKETS

Rates lower despite poor trade figures

UK INTEREST rates moved erratically in London yesterday, in reaction to key economic data, and sharp swings in sterling's value. At the end of the day, three-month interbank money finished lower at 10⅞-10¾ p.c. from 10⅞-10⅞ p.c. on Tuesday.

Rates opened higher at 10⅞-10⅞ p.c. and rose further to 11-10⅞ p.c. after the announcement of disappointing UK

UK clearing bank base lending rate 10½ per cent from July 18

trade figures for June. However sterling recovered from an initial dip, after the dollar fell on lower than expected US GNP data. Consequently rates came back to finish at the day's low. Overnight interbank money touched a high of 10⅞ p.c. but eased away to finish at 7⅛ p.c.

The Bank of England forecast a shortage of around £200m, with factors affecting the market including bills maturing in official hands and a take up of Treasury bills together with repayment of any late assistance draining £232m. There was also a rise in the note circulation of £115m and banks brought forward balances £rom below target. These were partly offset by Exchequer transactions which added £225m.

The Bank gave assistance in the morning of £199m through outright purchases of £31m of eligible bank bills in band 3 at 10⅞ p.c. and £168m in band 4 at 10⅞-10⅞ p.c. The split rate was regarded as symptomatic of discount houses' desire to part with long-dated paper, in the face of upward pressure on interest rates. There was no further intervention during the afternoon.

Interest rates in Frankfurt remained at their effective ceiling of 4.5 p.c., the same as the Lombard rate, ahead of today's meeting of the Bundesbank central council. Mr Karl Otto Poehl will not be attending the meeting, but a majority of traders were still looking for an increase in the Lombard rate to 5 p.c. This was despite a later announcement that the Bundesbank is not holding a news conference after today's meeting.

Pressure for an increase stems not only from the D-Mark's poor performance against the dollar but also from above target money supply, and continued capital outflows.

FT LONDON INTERBANK FIXING

(11.00 a.m. July 27) 3 months US dollars		6 months US Dollars	
bid 8⅜	offer 8½	bid 8½	offer 8⅝

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds			
Prime rate	9½	One month	5.96	Three year	8.51
Broker loan rate	9-8¾	Two month	6.72	Four year	8.64
Fed. funds	7⅞-⅝	Three month	7.17	Five year	8.74
Fed. funds at intervention	-	Six month	7.48	Seven year	8.96
		One year	7.81	10-year	9.09
		Two year	8.37	30-year	9.19

July 27	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.45-4.55	4.75-4.90	4.85-5.00	4.95-5.10	5.15-5.35	4.50
Paris	7⅛-7¼	7⅛-7¼	7¼-7⅜	7⅜-7½	7⅝-7¾	6.75
Zurich	1⅞-1⅞	3⅜-3⅝	-	3⅞-4	-	-
Amsterdam	4⅜-4⅞	4⅞-5⅛	-	5⅛-5⅜	-	-
Tokyo	3.78125	4.30125	-	4.09375	-	-
Milan	10-10½	10¾-11¼	-	11-11¼	-	-
Brussels	3.95	6⅞-6⅞	-	7⅛-7⅜	-	-
Dublin	7⅛-7⅛	7⅛-7⅜	7⅛-7⅜	7⅞-8	8⅛-8⅜	-

LONDON MONEY RATES

July 27	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	10⅛	10⅛	10½	11	11⅛	11⅛
Interbank Bid	7⅛	9⅞	10⅜	10⅞	10⅞	10⅞
Sterling CDs	-	-	10⅜	10⅞	10⅞	10⅞
Local Authority Deps.	9⅞	9⅞	10⅜	10⅜	10⅞	10⅞
Local Authority Bonds	-	-	10⅞	11¼	11⅞	11⅞
Discount Mkt Deps.	9	9⅞	10	10⅜	-	-
Company Deposits	-	-	10⅜	10⅞	10⅞	11
Finance House Deposits	-	-	10⅜	10⅞	11	11⅛
Treasury Bills (Buy)	-	-	10⅜	10½	-	-
Bank Bills (Buy)	-	-	10⅜	10½	10½	-
Fine Trade Bills (Buy)	-	-	10⅞	11⅛	11⅛	-
Dollar CDs	-	-	7.95-7.90	8.25-8.20	8.50-8.45	8.70-8.65
SDR Linked Dep Offer	-	-	6⅞	7⅛	7⅜	7⅝
SDR Linked Dep Bid	-	-	6⅝	6⅞	7⅛	7⅜
ECU Linked Dep Offer	-	-	6⅞	7⅛	7⅜	7⅝
ECU Linked Dep Bid	-	-	6⅝	7⅛	7⅜	7⅜

Treasury Bills (sell); one-month 10⅛ per cent; three months 10⅜ per cent; Bank Bills (sell): one-month 10⅛ per cent; three months 10⅜ per cent. Treasury Bills: Average tender rate of discount 9.8500 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day June 30, 1988. Agreed rates for period July 26, 1988 to August 23, 1988, Scheme I: 10.21 p.c., Schemes II & III: 10.12 p.c. Reference rate for period June 1, 1988 to June 30, 1988, Scheme IV & V: 8.909 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 8⅞ from July 1, 1988: Bank Deposit Rates for sums at seven days notice 3.25 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7½ per cent; one-three months 8⅛ per cent; three-six months 8⅛ per cent; six-nine months 8½ per cent; nine-twelve months 8½ per cent; Under £100,000 6 per cent from May 17, 1988. Deposits withdrawn for cash - per cent.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

I.G INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD
Tel: 01-828 7233/5699 Reuters Code: IGIN, IGIO

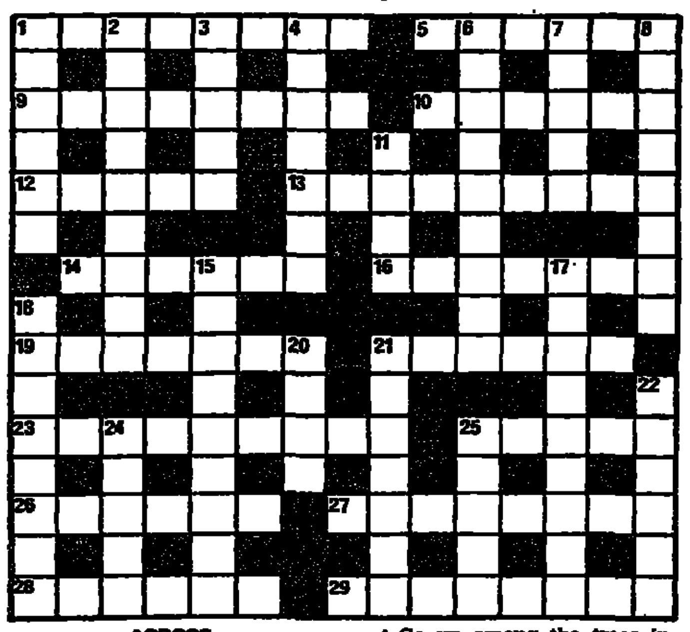
FT 30	FTSE 100	WALL STREET
Jul. 1473/1482 - 7	Jul. 1836/1846 - 6	Aug. 2067/2079 - 6
Sep. 1470/1479 - 7	Sep. 1832/1842 - 6	Sep. 2073/2085 - 7

Prices taken at 5pm and change is from previous close at 9pm.

JOTTER PAD

CROSSWORD

No. 6,693 Set by DANTE



ACROSS

1 Former au pair beyond redemption? (4,4)
5 Where the card player learns his craft? (6)
9 For the moment it may be Greenwich (8)
10 Port is used in making a toast (6)
12 Daily leader studied in awe (5)
13 Departs later – in pursuit? (4,5)
14 Principles said to be found in manuscript form (6)
16 What winter sportsmen may need to reach their peak (3-4)
19 Mouthful of water (7)
21 He failed to turn the tide of history (6)
23 Wheelwright's representative (9)
25 Material displayed by salesman in church (5)
26 Economised again, but still smoked (6)
27 From which computer operators make withdrawals? (4,4)
28 Note the world shortage (6)
29 Such a net make become loose (8)

DOWN

1 Lock oil? (6)
2 A pact goes to pieces – blame him (9)
3 Had an aversion to death throes (5)
4 Go up among the trees in France (7)
6 Motor race of growing interest (9)
7 Start writing notes out (5)
8 Class of good scholars (8)
11 They are driven from the river (4)
15 A shop floor humiliation (9)
17 Where Catholics get together without discrimination (2,3,4)
18 Blamed a number before having made certain (8)
20 Amy's out getting vegetables (4)
21 Hold I cannot break (7)
22 Break into a politician's address (6)
24 A letter from home, gad! At last! (5)
25 Disagreement on a question of colour? (5)

Solution to Puzzle No.6,692

CUPOLA CAROUSED
A R E B N F A E
THETAMING TULIP
U S D R E H V O
LAIR ADULTEROUS
L D P I U S E
UKELELE SCHEME
S N N R A U
STITCH GREMLIN
S A E E W A S
CONSTRAINT IDLE
R I H T I P R E
IDEAL HOUSEROOM
M C O E S E I L
PREGNANT SPOTTY

GUIDE TO UNIT TRUST PRICING

The data included under the Authorised section of the FT Unit Trust information pages is being expanded to improve the service to readers and to conform with new legislation.

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♣ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that prices are set on a historic basis. This means that, unless there has been an intervening portfolio revaluation, investors can normally buy and sell units today at the prices appearing in the newspaper which have been set on the basis of yesterday's asset value.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes are contained in the last column of the FT Unit Trust information pages.

FT UNIT TRUST INFORMATION SERVICE

	Init. Chrg.	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Target Trust Mngrs Ltd (1400)H						
Target Hse, Gatehouse Rd, Aylesbury, Bucks.						
Admin: 0296 594000 Dealing: 01-379 5950						
American Eagle	[illegible]	[illegible]	[illegible]	67.52	[illegible]	1.22
Australia	5	8.176	8.380	8.730	[illegible]	0.10
Commodity	[illegible]	80.65	80.65	86.00	-0.30	1.06
Convertible	[illegible]	149.3	150.7	162.7	+1.1	5.39
Equity	[illegible]	149.3	149.3	160.5	-0.6	3.06
Euro Spec Sits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Financial	[illegible]	[illegible]	[illegible]	54.30	[illegible]	[illegible]
Equity Exempt	[illegible]	116.9	120.0	128.7	[illegible]	1.42
Equity Exempt Acc	[illegible]	221.9	227.9	244.5	[illegible]	1.42
Templeton Investment Mngmt (1000)						
20 Copthall Avenue, EC2R 7PA 01-588 6064						
Thornton Unit Managers Ltd (1000)F						
33 Cavendish Sq., London W1M 7HF 01-493 7262						
Dealing 01-493 8545						
American Opps	[illegible]	39.77	39.77	42.42	[illegible]	1.30
European Opps	[illegible]	40.76	40.92	43.64	[illegible]	1.04
Far Eastern Opps	[illegible]	90.45	90.45	96.48	[illegible]	0.44

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
AA Friendly Society				
AA Friendly Sy July 8	[illegible]	142.4	—	—
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth 0202 292373				
Prop. Ser. 1	[illegible]	[illegible]	—	—
Equity Ser. 4	133.1	140.2	-0.9	—
Fixed Int. Ser. 4	220.6	232.0	-0.3	—
Indexed Inv. Ser. 4	120.8	127.3	+0	—
American Ser. 4	257.3	270.9	+0.4	—
Japan Ser 4	272.9	[illegible]	+1.6	—
European Ser 4	93.2	98.2	+0.3	—
Pension Funds				
Property	482.7	[illegible]	—	—
Equity	947.6	997.5	-9.1	—
Managed	678.9	714.7	-3.2	—
Fixed Int.	235.7	248.2	-0.3	—
European	127.9	134.7	+0.7	—
American	210.2	221.3	+0.4	—
Japan	289.6	304.9	+2.1	—
Indexed	128.2	135.0	—	—
International	144.6	152.3	-0.2	—
Ethical	103.4	108.9	-0.3	—
High Income	100.4	105.7	-0.3	—
Abtrust Management Ltd				
20, Chiswell St, London, EC1Y 4TY 01-374 6801				

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

	Bid Price	Offer Price	+ or −	Yield Gross
Managed Fund	266.7	280.8	−1.3	−
Man Pens Inc & Cap Fds	340.6	358.6	−2.2	−
Money Fund	113.3	119.3	+0.1	−
Pens. Mngd Fd (Init)	89.9	94.7	−0.5	−
Pens Mngd Fd (Acc)	103.4	108.9	−0.6	−
Pens FT30 Fd (Init)	128.0	134.8	−0.8	−
Pens FT30 Fd (Acc)	147.3	155.1	−0.8	−
Pens O'seas MgFd(Init)	60.9	64.2	−0.2	−
Pens O'seas MgFd(Acc)	70.1	73.8	−0.2	−
Pens Fxd Int Fd (Init)	107.0	112.7	+0.9	−
Pens Fxd Int Fd (Acc)	123.1	129.6	+1.0	−
Pens Deposit Fd (Init)	101.6	107.0	+0.1	−
Pens Deposit Fd (Acc)	116.9	123.1	+0.2	−

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or −	Yield Gross
American	95.0	100.0	−2.0	−
Building Soc. Fd	162.0	171.0	-----	−
Balanced	245.0	258.0	-----	−
Deposit	162.0	171.0	-----	−
European	125.0	132.0	-----	−
GT Managed	153.0	162.0	-----	−
Gartmore Mngd	103.0	109.0	-----	−
German	91.0	96.0	-----	−
Gilt	167.0	176.0	-----	−
High Inc	111.0	117.0	-----	−
International Equity	157.0	166.0	+1.0	−
Japan	221.0	233.0	+1.0	−
Managed	55.0	58.0	-----	−
Property	258.0	272.0	-----	−
R. W. Imperial Gold	131.0	138.0	-----	−
UK Equity	328.0	346.0	−1.0	−
Pension Funds				
American	125.0	132.0	-----	−
Building Soc. Fd	154.0	163.0	-----	−
Balanced	187.0	197.0	-----	−
Deposit	151.0	159.0	-----	−
European	124.0	131.0	-----	−
GT Managed	164.0	173.0	-----	−
Gartmore Mngd	99.0	105.0	-----	−
German	89.0	94.0	-----	−
Gilt	140.0	148.0	-----	−

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222

	Bid Price	Offer Price	+ or −	Yield Gross
Prufund				
Managed July 27	207.7	216.4	+0.5	−

Prudential Holborn Life Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

	Bid Price	Offer Price	+ or −	Yield Gross
Managed Fd	439.8	463.0	−0.7	−
Equity Fd	890.5	937.4	−4.0	−
Intnl Fd	304.7	320.8	+2.1	−
Fixed Int. Fd	362.1	381.2	−0.2	−
Prop Fd	334.0	351.6	+0.1	−
Cash Fd	238.4	251.0	----	−
Pacific Basin Fd	175.7	185.0	+2.3	−
North American Fd	123.1	129.6	+0.3	−
European Fd	125.8	132.5	+0.3	−
Holborn Balanced Grth Fd	102.9	108.4	−0.2	−
Holborn Strategic Grth Fd	101.9	107.3	−0.2	−

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

	Bid Price	Offer Price	+ or −	Yield Gross
Managed	476.8	501.9	−1.3	−
Equity	684.0	720.1	−4.6	−
Global Equity	197.2	207.6	+1.0	−
Fixed Interest	375.7	395.5	−1.6	−
Property	325.7	342.9	+0.1	−
Cash	142.0	149.5	----	−
Index Linked Gilt	168.2	177.1	−0.1	−
Guaranteed	10.18	10.93	+0.56	−
International Money	185.4	195.2	+0.2	−
North American Fd	55.1	58.1	+0.4	−
Japanese Fund	122.1	128.6	−0.1	−
European Fund	69.2	72.9	−0.6	−
Special Situations Fd	103.6	109.1	−0.6	−
Communications Fund	84.3	88.8	+0.2	−
Smaller Cos Fund	100.3	105.6	−0.1	−

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

	Bid Price	Offer Price	+ or −	Yield Gross
Discretry July 21	£129.57	139.31	----	−
Equity Fund July 21	£141.65	145.93	----	−
Intntl Fund July 21	£20.77	21.47	----	−
Int Bond Fd July 21	£10.64	10.78	----	−

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

1988 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
99¾	83½	Redemption 3pc 1986-96	99¼	......	3.02	6.96
100¼	99½	Treas. 9½pc '88	99½	......	9.53	10.38
102½	100¼	Treas 11½pc 1989	100½xd	–1/16	11.43	10.34
101½	99½	Treas 9½pc Cnv 1989	99½	–1/16	9.56	10.33
97½	95½	Treas 3pc 1989	96½	–1/16	3.10	7.18
102½	99½	Treas 10½pc 1989	100½	–1/16	10.48	10.24
102	99¼	Exch. 10pc 1989	99¾xd	–1/16	10.02	10.23
103½	100½	Exch 11pc 1989	100½	–1/16	10.92	10.24
97½	95½	Treas 5pc 1986-89	95½	–1/16	5.23	8.83
104½	100	Exch 10¼pcCv '89	100½	–1/16	10.21	9.83
107½	103	Treas 13pc 1990‡‡	103½	–1/16	12.50	9.98
104½	100½	Exch 11pc 1990‡‡	101½xd	–1/16	10.84	9.95
107½	102¼	Exch. 12½pc 1990	103½	–1/16	12.07	10.10
93½	91½	Treas. 3pc 1990	91½	–1/16	3.27	8.11
99½	97¼	Treas 8¼pc 1987-90‡‡	97½	–1/16	8.45	9.61
102½	97¼	Treas. 8pc Cv 1990 ‡‡	97½	......	8.17	9.16
103½	98½	Treas. 10pcCv 1990	99½	......	10.01	10.04
91½	88½	Exch 2½pc 1990	89½	–1/16	2.81	7.70
107½	102½	Treas 11¾pc 1991	103½	–1/16	11.35	10.06
95½	92½	Funding 5¾pc '87-91‡‡	92½	–1/16	6.23	9.00
90½	87½	Treas. 3pc 1991	88½	–1/16	3.40	7.81
105½	99½	Treas 10pc Cv '91 ‡‡	100½	......	9.94	9.75
107½	101½	Exch. 11pc 1991	102½	......	10.72	10.03
98½	93½	Treas. 8pc 1991	94½	+1/16	8.47	9.97
113½	107	Treas 12¾pc 1992‡‡	107½	......	11.82	10.01
104½	99¼	Treas 10pc 1992	100xd	......	10.00	9.98
98½	93½	Treas. 8pc 1992 ‡‡	93½	......	8.52	9.98
106½	100½	Treas 10½pc Cv 1992‡‡	101½	–1/16	10.35	10.01
86½	83½	Treas. 3pc 1992	84½	–1/16	3.57	7.83
112½	106½	Exch. 12¼pc '92	107¼xd	–1/16	11.44	10.07
117½	110½	Exch 13½pc 1992	111¼	......	12.14	10.09
97½	92½	Treas 8¼pc 1993	93½xd	......	8.80	9.98
105½	99½	Treas 10pc 1993‡‡	100½	......	9.97	9.90
115½	108½	Treas 12½pc 1993‡‡	109½	......	11.40	9.98
		Five to Fifteen Years				
93½	89½	Funding 6pc 1993‡‡	89½	–1/16	6.69	8.51
121½	114	Treas 13¾pc 1993‡‡	115½	+1/16	11.96	10.02
101½	92½	Treas. 8½pc 1994	94½xd	......	9.05	9.94
125½	117½	Treas 14½pc 1994‡‡	119½xd	–1/16	12.17	9.96
120½	113½	Exch 13½pc 1994	114½	–1/16	11.80	10.12
105½	99¼	Treas. 10pc Ln. 1994‡‡	100½	–1/16	9.95	9.87
116½	109½	Exch. 12½pc 1994	110½xd	–1/16	11.29	10.10
101½	95½	Treas 9pc 1994‡‡	96½	......	9.35	9.78
114½	107¼	Treas 12pc 1995	109	–1/16	11.01	10.07
83½	78½	Exch 3pc Gas 90-95	83¼	–1/16	3.56	6.30
106½	100¼	Exch. 10¼pc 1995	101½	......	10.10	9.95
120½	112½	Treas 12¾pc 1995‡‡	114½	+1/16	11.17	9.96

BRITISH FUNDS—Contd

1988 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		Undated				
44½	41½	Consols 4pc	42½xd	+1/16	9.34	–
39½	37½	War Loan 3½pc‡‡	38½	+1/16	9.50	–
52½	48½	Conv. 3½pc '61 Aft.	51½	......	6.84	–
33½	30½	Treas. 3pc '66 Aft.	31½	+1/16	9.43	–
28½	26¼	Consols 2½pc	26½	+1/16	9.29	–
28½	26½	Treas. 2½pc	26½	+1/16	9.23	–
		Index-Linked				
		(b)			(1)	(2)
121½	117½	Treas 2pc IL '90(84.6)	121¼	+1/16	0.83	2.66
103½	99½	Do. 2pc '92‡‡(97.8)	102¼	......	2.13	2.88
96½	94½	Do. 2 '94 (102.9)	94½	–1/16	2.60	3.16
139½	127½	Do. 2pc '96(67.9)	138½	+1/16	2.93	3.28
114½	103½	Do 2½pc '01(78.3)	113½	+1/16	3.64	3.89
111½	101½	Do. 2½pc '03(78.8)	110½	+1/16	3.72	3.94
112½	102½	Do. 2pc '06(69.5)	112½	+1/16	3.75	3.92
105½	95½	Do. 2½pc '09(78.8)	104¼	+1/16	3.77	3.95
109½	99½	Do. 2½pc '11(74.6)	108¼xd	–1/16	3.78	3.94
90½	82½	Do. 2½pc '13(89.2)	90½xd	+1/16	3.75	3.90
98½	88½	Do. 2½pc '16(81.6)	97½	+1/16	3.72	3.87
95½	87½	Do. 2½pc '20(83.0)	95½	+1/16	3.68	3.80
80½	73	Do. 2½pc '24‡‡(97.7)	80½	+1/16	3.63	3.75

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987.

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1988 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
45	33	Greek 7pc Ass.	45	......	3.50	f7.78
45	33	Do. 6pc 28 Stb. Ass.	45	......	3	f6.67
45	33	Do 4pc Mixed Ass.	45xd	......	2	f4.44
75	63	Hung. '24 Ass.	75	......	2.75	f3.67
140½	128½	Hydro Quebec 15pc 2011.	135½	+½	15.00	10.80
128½	118½	Iceland 14½pc Ln 2016	127½	+½	14.50	11.28
101¼	96½	Ireland 9¾pc '91-96	97¼	......	9.75	10.25

AMERICANS

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
29¾	22¼	Abbott Laboratories‡.	25½xd	–¼	$1.20	–	2.7
649p	405p	♦Allegheny & W 1c	440p	+4	30c	–	4.0
14½	862p	Amax $1	13¼xd	+¼	020c	–	0.9
31½	16½	Amdahl 5c	28½	–¼	20c	–	0.4
31½	22	Amer. Cyanamid $5	29¼	+½	$1.20	–	2.4
16½	11¾	Amer. Express 60c.	15½xd	–½	76c	–	2.9
10½	668p	Amer. Medical Int. $1	10¼	+½	¢72c	–	4.2
17½	13½	American T. & T. $1	15½	–½	$1.20	–	4.6
54¾	44½	Ameritech $1	52	+¼	$5.40	–	6.1
27½	16½	Amfac‡	27½	–¼	–	–	–
18¾	15½	Anheuser-Busch $1	17½xd	......	60c	–	2.1
850p	360p	BankAmerica $1 ½	787p	......	–	–	–
22½	16½	Bankers N.Y. $1	20½	+½	$1.86	–	5.2
42¾	34¼	Bell Atlantic $1	40¼	+½	$4.08	–	6.0
25½	19½	BellSouth Corp.	23½	......	$2.36	–	5.9
15½	850p	♦Bethlehem Steel $8.	14½	–½	–	–	–
13¼	801p	Bio-Rad Labs. Inc. "A"	12½	+½	–	–	–
23½	15¼	Bowater Inc.	17¾xd	+½	92c	–	3.0
15½	11½	Browning-Ferris 16.6c.	13¼xd	–¼	48c	–	2.0
13¼	787p	Brunswick 75c.	12½xd	+½	44c	–	2.1
27½	21½	CPC Intnl. 25c.	26½	+½	$1.44	–	3.2
17½	13¼	CSX $1	15½	+½	$1.24	–	4.8

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
10⅞	754p	Transworld Corp $5	10⅛	.....	20c	–	1.2
20¼	14½	TRINOVA Corp	15½xd	–⅛	56c	–	2.1
19	15⅛	USX $1	17⅞	–½	$1.20	–	4.0
23	17⅝	Utd. Technologies	21⅞xd	+⅛	$1.60	–	4.4
33½	26⅜	US West	31½	+¼	$3.52	–	6.6
21½	16⅞	Waste Management $1	20xd	–⅛	48c	–	1.4
16⅞	12⅞	Whirpool $1	15⅝	+⅛	$1.10	–	4.1
32¼	18¼	Woolworth $3½	28¼	–⅛	$1.64	–	3.4

CANADIANS

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
309p	173p	ABM Gold Corp	236p	+3	–	–	–
32p	11p	Abitot Energy Corp	25p	.....	–	–	–
14¼	990p	Amer. Barrick Res	11⅛	+⅛	–	–	–
10p	5½p	American Lightwave	7p	.....	–	–	–
47p	18½p	Armeno	20p	+1	–	–	–
76p	45p	Augmitto Explo	63p	–1	–	–	–
13⅞	10⅝	Bk. Montreal	13½	.....	$2.00	–	7.2
697p	514p	Bk. Nova Scot.	664p	.....	76c	–	5.6
18⅜	15¼	BCE	17½xd	.....	$2.44	–	6.8
716p	591p	Bow Valley	676p	–6	40c	–	2.9

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd

INSURANCES

LEISURE

LONDON SHARE SERVICE

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ☆ Not comparable
- ♣ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... γ	72	......
Craig & Rose £1.. γ	700	......
Finlay Pkg. 5p.... γ	90	......
Holt (Jos) 25p..... γ	£11¼	......

IRISH

Nat. 9¾ % 84/89..	£100¾	......
9pc Cap Ln. 1996..	£98¾	......
Fin. 13% 97/02...	£119	......
Arnotts............ γ	370	......
CPI Hldgs.......... γ	158	......
Carrol Inds......... γ	172	......
Hall (R. & H.).......	160	......
Helton Hldgs........ γ	57	......
Irish Ropes......... γ	160	......
Unidare............ γ	490	+10

TRADITIONAL OPTIONS
3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	16
BAT	36
BOC Grp	36
BSR	8
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
Brit. Aerospace	35
Brit. Telecom	22
Burton Ord	21
Cadburys	32
Charter Cons	30
Coram Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	85
GEC	15
Glaxo	85
Grand Met	45
GUS 'A'	95
Guardian	85
GKN	28
Hanson	12
Hawker Sidd	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen	25
Lex Service	33
Lloyds Bank	26
Lucas Inds	50
Marks & Spencer	17
Midland Bk	37
Morgan Grenfell	38
NEI	10
Nat West Bk	52
P & O Dfd	52
Plessey	16
Polly Peck	30
Racal Elect	32
RHM	30
Rank Org Ord	64
Reed Intnl	36
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	60
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45

Property	
Brit Land	30
Land Securities	52
MEPC	52
Peachey	50

Oils	
Brit. Gas	15
Brit Petroleum	24
Burmah Oil	50
Charterhall	3
LASMO	40
Premier	7½
Shell	95
Ultramar	26

Mines	
Cons Gold	95
Lonrho	20
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

LONDON STOCK EXCHANGE

Firm pound helps equities and Gilt-edged brush off disappointment with UK trade figures for June

Account Dealing Dates

*First Dealings:		
Jul 18	Aug 1	Aug 15
Option Declarations:		
Jul 28	Aug 11	Sep 1
Last Dealings:		
Jul 29	Aug 12	Sep 2
Account Day:		
Aug 8	Aug 22	Sep 12

*New time dealings may take place from 9.00 am two business days earlier

A FIRM pound came to the rescue of the UK securities markets in late trading yesterday, helping both Gilts and equities to rally from the effects of disappointing UK trade figures for last month.

It was a confusing session, with the £1.02bn deficit on the June current account at the high end of City estimates and reviving fears of another rise in UK base rates. Share prices extended early falls as the trade figures sent London money market rates ahead and the pound weakened. However, equities rallied when the Bank gave a "no change" signal on rates, receiving further encouragement later when the pound's gain also reduced the likelihood of an early rise in domestic interest rates.

Market turnover remained disappointingly thin until the final hour when there was good demand for the international blue chips. ICI, although still easier at the close, attracted some support from the US ahead of today's trading results.

Another source of excitement towards the end of the day was the surprise news that the UK Government is to redeem its Golden Preference Share in Amersham International, the formerly State-owned medical technology group. Amersham soared as the market perceived that it is now in the takeover frame – the prohibition on individual holdings of more than 15 per cent of the equity may not prove "a valid protection", according to Dr Arnab Banerji of Nomura Securities.

The FT-SE Index, down 9.2 points in the wake of the June trade figures, rallied to close a net 3.1 up at 1840.8, a welcome return to the 1840 support line, according to the chart analysts. Seaq volume rose to 363.9m shares (338m on Tuesday), but activity was concentrated on a few sectors.

Banking stocks were in the limelight again as Midland Bank followed NatWest onto the interim reporting list. With Barclays and Lloyds due to complete the reporting round this week, the market is welcoming the absence of further banking provisions against LDC debt.

Government bonds closed with gains of ¼ or so at the longer end and the shorts showing similar gains after topping off in late trading. Turnover was again thin, although some houses claimed to have seen modest overseas support.

Despite the market's relatively calm response, traders perceived the June trade deficit figures as a disturbing confirmation that the current account is deteriorating".

With the exception of the momentary upset in money markets, bonds stood up well, with the pound's firmness providing the chief support. The disclosure of a 3.1 per cent gain in US gnp in the second quarter and a 4.1 per cent gain in the deflator found little direct response in London bonds.

Among the clearing banks, the interim reporting season continued with Midland falling 7 to 437p despite general satisfaction with pre-tax profits of £313m for the first half, and a dividend increase comfortably above market expectations.

While Midland's trading performance was widely admired, the market still regards the shares as too highly rated, following their resilient performance over the past few months. "We're still looking to sell Midland shares", commented Salomon Bros.

NatWest fell sharply as some analysts continued to look askance at the low equity/asset ratio disclosed in Tuesday's trading report, closing above the worst, a net 13 down at 565p. Barclays eased 7 to 408p as the market waited to see if the bank will follow Midland's generous lead in dividend payout. Lloyds, reporting on Friday, shed 3 to 307p in fairly brisk trading.

Shares in TSB shaded to 106p as the bank announced a £135m issue of sterling mortgage-backed securities, becoming the first British bank to enter this £2.5bn UK market.

Composite insurances were again active, closing with ragged changes as the sector responded to conflicting views from leading analysts. County NatWest marks the sector a "buy" because bid prospects in the sector are "massive" whilst high yields still take no account prospective dividend growth. However, BZW, which also published a heavyweight review of the sector, recommends using "any strength as an opportunity to lighten composite holdings."

This two-way pull left General Accident 3 off at 910p and Commercial Union 2 better at 383p. Among insurance brokers, Sturge Holdings jumped 15 to 261p.

Amersham, the specialist chemical company, surged 25 to 470p after the late announcement that the preference share issued to the Government in 1982 would be redeemed. In hectic trading the price reached 480-bid before falling back to the closing level.

There was some confusion as to whether the announcement meant that Amersham was still protected from predators by its articles of association, but a consensus emerged among dealers that the company was now very much open to takeover.

Mountleigh, the property group run by Mr Tony Clegg, disappointed the market with first half pre-tax profits of £70.7m, about £10m less than most City forecasts. Mountleigh shares subsequently dropped sharply before stabilising later in the day. One large buyer was seen around the 160p level.

Although Mountleigh would have money to spend after the rumoured sale of Stockley Park for around £200m, Mr Clegg would not comment on whether he would renew his bid for retail group Storehouse. "Mountleigh appears to be lacking direction," said one analyst after the morning press conference. This uncertainty unsettled the market, and Mountleigh ended the day 12 points down at 160p.

Tate & Lyle took up the running in an otherwise unexciting Food sector which drifted as rumours of bids or a rights issue came to nothing. T & L shares gained 21 to 886p as word got round that brokers County NatWest WoodMac and Hoare Govett were bullish.

Hoare has upgraded its forecasts several times over the last few weeks and the latest 1988 figure is £115m, up £4m. County pointed out the excellent earnings potential in the US over the next two years and said Tate should survive the US drought in good shape.

Reed International continued its recent strong rise, ending the day 14 higher at 448p after touching 449p twice during trading hours. Turnover was one of the highest totals in the market at 4.9m shares.

Dealers were reluctant to give much credibility to rumours, few of which were new, although they were not ruling out the possibility of a bid and confirmed that there had been buying interest from Europe and the US. It appeared that a shortage of stock had been eased as sellers came in at 445p and above.

BPB, up 5 at 274p, traded on a lively note (some 1.7m shares changed hands) as Hoare Govett (HG), the securities house, recommended the stock to clients. In a bullish summary of the company, HG analysts suggest that the perceived threat of new competitors in the domestic plasterboard market has had a disproportionate impact on BPB's share price rating.

They point out that the stock stands at a near 30 per cent discount to the average UK market rating and believe that with the company set to dominate the rapidly growing European plasterboard market into the next century, a prospective PER multiple of under 7 is ludicrously cheap.

Yale & Valor climbed again in very late trading, closing with a gain of 7 to 480p. Dealers commented that there had not been large turnover, with investors holding tight in the hope of a bid or deal. The cause of the late rise was unclear, although a shortage of stock was said to be partly to blame.

A story that a third stake may have been uncovered emerged too late for confirmation. Y&V chairman Mr Michael Montague is still in the US on a business trip which included talks with stakeholder Ingersoll Rand.

Markheath Securities, attracted attention in a dull Property sector after announcing it had bought 5.1 per cent of the shares in Frogmore Estates and a similar stake in Randsworth Trust. Although Markheath, which is run by Mr John Spalvins the chairman of Adelaide Steamship, denied it was building hostile stakes in the companies, dealers noted that Mr Spalvins has earned a reputation as an aggressive corporate raider.

In London, Mr Ian Creber, executive director of Markheath UK, was keeping his cards close to his chest. "All I can say is that we recognise two good companies when we see them and the fact that the announcements were made on the same day is purely coincidental." However, Mr Alec Pelmore, property analyst at Morgan Grenfell, regards both Frogmore and Randsworth as genuine takeover targets. "This confirms our positive view of the sector. For those underperforming stocks which have not recovered well from the crash, the opportunity is there for predators to come in." By the close Randsworth were 7 points better at 189p, Frogmore 5 firmer at 399p, while Markheath ended a penny down on 86p.

International stocks were surprisingly resilient following the Trade figures. A sharp markdown in prices uncovered buyers looking for cheap stock and most falls were soon recovered. Beecham gained 9 to 479p, closing off its high of 481p, after its agm. Dealers said there was a small squeeze in the market in addition to generally positive sentiment. ICI was reasonably steady before today's figures, giving up just ⅛ to £10⅝ as arbitrageurs nibbled at the ADRs in New York.

BOC was a notably firm performer, rising 6 to 410p after 414p. Rumours of an influential broker's upgrading remained unsubstantiated, but dealers said the stock had underperformed recently and was sent on its upward path by a good buying order. Third quarter figures are due on August 10.

Trent Holdings, a good market during the previous trading session, held at 182p following the agreed cash and share exchange offer from Whitecroft, which closed 10 down at 313p.

Elsewhere in the Building sector, the latest takeover developments failed to sustain interest. Ibstock Johnsen ran into selling after the previous day's speculative flurry and reacted to 186p before closing only 2 down on balance at 189p. Ruberoid eased to 257p before settling 4 off on the day at 261p, while Raine reacted a couple of pence more to 96p which values its cash and share exchange offer for Ruberoid at 252p.

Taylor Woodrow maintained a firm trend, improving to 548p as P&O annouced that it has increased its holding in the company to 8.5 per cent.

FJC Lilley, still responding to the management buy-in and capital injection proposals, advanced afresh to 57p, up 3, for a two-day rise of 13. Arncliffe jumped 10 to 168p on bumper interim figures.

In a quiet Electricals sector Chloride lost 5 to 60p as bid speculation receded and investors took profits. The company denied that Prudential had sold its 25m share stake, pointing out that the insurance giant had reduced its holding from 5.4 per cent to 4.6 per cent. CASE were a good market after Tuesday's agreed bid from Dowty, which now appear certain to emerge victorious after Canadian rival Gandalf sold its 9.5 per cent stake in CASE to Dowty via Lazard Bros. CASE finally closed tuppence better at 134p.

Thorn EMI firmed 4 to 633p after Chase Manhattan upgraded its profits forecast for Thorn from £280m to £300m for the coming year. Chase is taking a more optimistic line because Thorn's Inmos subsidiary is reported to have turned last year's £10m loss into a £5m plus profit and because of planned changes in the accounting policy for the group's television retail and rental business, which, says Chase, should add about £20m to profits.

Bullough, still reponding to the good interim figures and the proposed acquisition of Atal, a leading French furniture manufacturer, edged up a few pence further to 451p.

Motor issues contained few features. Quicks Group spurted higher when an early buyer found the market short of stock but soon slipped back to settle 5 up on balance at 152p, after 157p. Reliant Motor were quoted ex-rights at 45p with the new nil-paid shares at 9p premium.

A good interim trading statement failed to generate any buying enthusiasm for Allied Textile, little changed at 369p.

Elsewhere, occasional demand lifted Atkins Bros. 25 to a 1988 high of 355p.

National Home Loans, a weak market of late, remained at 119p despite advice from BZW that market worries over the effect of higher interest rates on the company's profit margins are not justified. Analysts from the securities house visited the company recently and learned that current trading performance is in line with expectations for the year.

Oil traders reported another colourless day of below-average inquiry and precious little price movement. The majors attracted the bulk of the business, but orders were evenly balanced, giving marketmakers no cause to alter their quotes.

The independents tended to soften, with Enterprise drifting easier before rallying late to close a net 5 up at 485p on hopes that the Golden Share in the group could also be redeemed. Ex the capitalisation issue, Premier closed 3½ easier at 60p.

The July expiry date boosted business in Traded Options, and eventually 39,670 contracts were exchanged, of which 23,630 were calls and 16,040 puts. The FT-SE 100 Index again attracted interest, with 4,488 contracts, as did British Gas (3,340 calls) and BP (1,083 calls and 2,637 puts).

Traditional Options

- First dealings July 25
- Last dealings Aug 5
- Last declarations Oct 27
- For Settlement Nov 7

For rate indications see end of London Share Service

Dealers reported a quieter day in the Traditional option market. Stocks to attract money for the call included Ibstock Johnsen, ASDA, Chloride, Tesco, Dee Corporation and Cambian Venture. A put was arranged in Charter hall, while Chloride were dealt in for the double.

FINANCIAL TIMES STOCK INDICES

	July 27	July 26	July 25	July 22	July 21	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	87.84	87.80	87.92	87.88	87.92	88.67	91.43 (18/4)	86.97 (13/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.42	97.40	97.44	97.39	97.38	96.43	98.67 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1478.8	1473.0	1474.1	1479.4	1496.9	1874.4	1510.5 (11/7)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	209.4	213.2	215.0	214.7	216.2	454.2	312.5 (7/1)	195.4 (13/5)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div.Yield	4.57	4.58	4.57	4.55	4.50	3.07				
Earnings Yld. % (full)	11.56	11.61	11.61	11.56	11.43	7.45				
P/E Ratio (net)(*)	10.57	10.52	10.53	10.57	10.69	16.52				
SEAQ Bargains (5pm)	19,604	22,693	21,933	23,221	24,011	51,519				
Equity Turnover (£m)	-	743.88	691.68	960.84	1196.50	2082.60				
Equity Bargains	-	23,667	23,734	24,780	26,386	69,926				
Shares Traded (ml)	-	291.6	267.4	360.8	407.3	828.0				

S.E ACTIVITY

Indices	July 26	July 25
Gilt Edged Bargains	100.8	111.0
Equity Bargains	153.3	153.8
Equity Value	1503.6	1398.1
5-Day average		
Gilt Edged Bargains	117.5	126.0
Equity Bargains	161.8	164.0
Equity Value	1865.1	1991.8

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1473.8	1471.5	1471.2	1471.5	1472.4	1471.8	1471.8	1475.9

Day's High 1479.2 Day's low 1466.5

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil=10.47.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (87).

AMERICANS (1) Greyhound. CANADIANS (1) Denbus Res., BREWERS (5) Belhaven Brewery, Eldridge Pope "A", Fuller, S.T.A., Marston Thompson, BUILDINGS (5) Arncliffe, Gleeson (M.J.), Rowlinson, Taylor Woodrow, Turril Corp., CHEMICALS (2) Akzo, Transrap Hldgs., STORES (2) Jacques Vert, Sock Shop Intl., ELECTRICALS (6) Admiral Computing, CASE Group, Learmonth & Burchett, Radamec, Scholes (G.H.), Sony Co., ENGINEERING (2) Saville Gordon, W.A. Hldgs., FOODS (3) Salveson (Christian), Tate & Lyle, Do. 13½pc Cnv Uns Ln, INDUSTRIALS (11) Beaverco, Boot (Henry), Charterhall, Delaney, Grampian Hldgs., Hornby Group, Kershaw (A.), Parker Knoll "A", Parkfield Group, Plumb Hldgs., Spendex, LEISURE (3) Boosey & Hawkes, Prism Leisure, Saga Hols., MOTORS (2) Reliant Motor, Quick Group, NEWSPAPERS (1) Adscene, PAPERS (4) Aspen Comms., Printech, UK Paper, Usher Walker, PROPERTY (3) Billingsgate City, Priest Marians 6½pc Cnv Ln 2000-03, Regentcrest, TEXTILES (2) Atkins Bros., Beales (J.), TRUSTS (1) Argo Invs., OILS (2) Intl Pet Corpn., Kenmare Res., MINES (1) Anglo American Coal.

NEW LOWS (26).

BRITISH FUNDS (1) Funding 5¼pc 1987-91, CANADIANS (1) Geodome Res., STORES (6) Brown (N.), Field (Mrs), Next, Smith (W.H.), Summer Intl., Ward White, FOODS (3) Acatos & Hutcheson, Barker & Dobson, Tesco 9pc Ln 2002-07, INDUSTRIALS (1) Fergebrook, INSURANCE (1) Archer (A.J.), TRUSTS (5) Derby Tst Wrrts, Lowland Inv., Scot & Merc "A", Throgmorton Wrrts, Melville St Inv Wrrts, MINES (2) Hartebeest, Unisel.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cable & Wireless	709	MEPC	405	Tate & Lyle	780
Cadbury Schweppes	1,100	Marks & Spencer	3,900	Tesco	5,700
Coats Viyella	2,600	Maxwell Comm.	537	THORN EMI	668
Commercial Union	748	Metal Box	174	Trafalgar House	309
Cons. Gold	620	Midland Bank	2,600	Trusthouse Forte	479
Cookson	671	NatWest Bank	3,600	Ultramar	963
Courtaulds	1,000	Next	932	Unilever	401
Dalgety	294	Northern Foods	752	United Biscuits	1,600
Dee Corporation	1,500	Pearson	80	Wellcome	554
Dixons	1,400	Pearl Group	132	Whitbread "A"	1,100
English China Clays	679	P & O	537	Williams Holdings	434
Enterprise Oil	1,100	Pilkington	504	Wimpey	1,400
FKI Babcock	176	Plessey	1,300	Woolworth	508
Fisons	2,700				

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	55	34	24
Corporations, Dominion and Foreign Bonds	16	1	35
Industrials	324	370	895
Financial and Properties	107	181	369
Oils	34	25	51
Plantations	0	3	10
Mines	34	67	90
Others	100	59	105
Totals	670	740	1,579

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Wednesday July 27 1988

[illegible]

FIXED INTEREST

[illegible]

LONDON TRADED OPTIONS

[illegible]

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

GERMANY

GERMANY (continued)

ITALY

NETHERLANDS

NETHERLANDS (continued)

NORWAY

SPAIN

SWEDEN

SWEDEN (continued)

SWITZERLAND

SOUTH AFRICA

JAPAN

AUSTRALIA

AUSTRALIA (continued)

HONG KONG

SINGAPORE

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. (a) Unavailable. (§) Dealings suspended. (xd) Ex dividend. (xc) Ex scrip issue. (xr) Ex rights. (xa) Ex all.

CANADA

TORONTO

Closing prices July 26

Sales | Stock | High | Low | Close | Chng

Sales	Stock	High	Low	Close	Chng
1900	WIC B f	$12¼	12¼	12¼	
1300	Wst Fraser	$20⅝	20⅝	20⅝	
8535	Wcoast E	$17⅛	16⅞	17⅛	+ ⅛
3895	Westmin	$10½	10½	10½	
100	Weston	$33⅞	33⅞	33⅞	+ ½
300	Xerox Can	$17½	17½	17½	

f—No voting rights or restricted voting rights.

MONTREAL
Closing prices July 26

Sales	Stock	High	Low	Close	Chng
2068	BombrdrA	$11⅞	11½	11½	− ⅛
48010	BombrdrB	$11⅝	11⅜	11½	
1050	CB Pak	$19⅛	19⅛	19⅛	+ ⅛
6135	Cascades	$05⅞	05¾	05¾	
176834	ConBath	$15⅝	15⅜	15⅝	+ ⅜
3384	DomTxtA	$18⅞	18¾	18¾	
1200	MntTrst	$16½	16½	16½	− ⅛
71979	NatBk Cda	$10⅞	10¾	10¾	
95478	Noverco	$12	11⅞	11⅞	
36770	Power Corp	$13½	13¼	13⅜	− ⅛
18062	Provigo	$10	09⅞	09⅞	
48298	Royal Bank	$32¼	32	32¼	+ ⅛
3850	SteinbrgA	$31	30¾	30¾	
4265	Videotron	$11⅛	11	11	

Total Sales 5,080,828 shares.

OVER-THE-COUNTER

Nasdaq national market, 2pm prices July 27

Stock | Div. | Sales 100s | High | Low | Last | Chng

Continued from page 35

Stock	Div.	Sales 100s	High	Low	Last	Chng
Sanfrd s	.16	12 233	28	27½	27½	+ ⅛
Scherer	.36	25 468	25⅞	25½	25½	
SchimA	.48	15 50	43	42½	43	+ ¼
Scimed		386	15¾	14¾	15¼	+ ¾
Scitex		4	5½	5½	5½	
Seagate		8 6440	12⅝	11⅞	12⅛	− ½
SEEQ		10 206	7⅜	7⅛	7 3-16	− 1-16
Selbel	.80	8 18	13¾	13	13	
Selctins	1.24	6 68	26¼	25⅞	25⅞	− ½
Sensor	.10	17 347	8⅝	8½	8½	
Sequent		38 292	17⅛	16⅞	17	− ⅛
SvcMer	.08	11 5136	12¾	11⅞	12	− ⅛
SvOak	.08j	14 8178	8¼	7⅞	8	− ⅛
SunGrd		21 732	18¾	18¾	18	
SunMic		25 3449	37¼	36	36	− ⅞
Summit s	1a	8 12	25¼	24⅞	24⅞	
Synbio		229 20	7	6⅞	6⅞	
Systa		6 69	5½	5¼	5½	+ ¼
SySoftw		21 907	17½	16⅞	17¼	+ ⅜
Systmt	.40a	23 48	32¼	31¾	31¾	− ¼
— T — T —						
TBC s		11 31	14¼	13¾	13¾	− ⅛
TCA	.32	63 368	35¼	34½	35¼	+ ½
TCBY	.01e	22 310	12¾	12⅜	12½	− ⅛
TCF	.10e	371	10⅛	9⅞	10	− ⅛
TPI En		306	5½	5¼	5 5-16	− 1-16
UnivFr	.16	13 80	17⅜	17¼	17¼	− ¼
UnwHlt		217 515	9-16	8½	8½	
UnvSvg	.40	14 304	23¼	23	23⅛	+ ⅛
— V — V —						
V Band	1e	4 1055	12½	11	11⅛	+ ⅛
VLSI		33 761	9	8¾	8⅞	− ⅛
VM Sft		22 320	15⅞	15½	15⅝	+ ⅛
VWR	.80	12 2	20	19½	20	
ValidLg		288 1276	5⅞	5⅝	5⅞	+ ¼
ValFSL		7 61	14¾	14¼	14¾	+ ½
ValNtl	1.44	21 573	30⅝	30½	30⅝	+ ⅛
Valmnt	.80	6 5	40½	39½	40½	+ 1½
VgrdCt		300	21⅛	20¾	20⅞	
Worthg	.44	16 515	23⅝	23¼	23¼	− ⅜
Wyman	.80	13 33	16	15½	15½	− ¼
— X — Y — Z —						
XL Dt s		17 236	24¾	23⅞	24½	− ½
XOMA		221	13½	13¼	13¼	− ¼
X-Rite	.08	15 1494	23	21⅞	21⅞	− ¾
Xicor		18 2251	10¼	9¾	10	− ⅛
Xidex		6172	9¼	8¾	8⅞	− ⅛
Xylogic		6 339	7½	6⅞	7	− ½
Xyvan		41	6⅞	6⅞	6⅞	− ⅜
YlowF s	.70	17 601	26¾	26½	26⅝	+ ¼
ZionUt	1.44	17	23¾	23¾	23¾	
Zondvn		49 343	13⅝	13¼	13¼	− ⅛

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES			
Treas.8pc 2009	£98 ¹⁵⁄₁₆	+	⁹⁄₁₆
Amersham Intl.	470	+	25
Atkins Bros.	355	+	25
BOC	412	+	8
Beecham	479	+	9
Devenish (J.A.)	353	+	24
Frogmore Ests.	389	+	5
Mansfield Brew.	557	+	9
Morland	585	+	35
Oliver (G.)	545	+	45
Randsworth Trust	189	+	7
Reed Intl.	443	+	14
Tate & Lyle	888	+	21
Yale & Valor	480	+	7
FALLS			
Chloride	80	−	6
Mountleigh	160	−	12
Wallcraft	313	−	10

TOKYO - Most Active Stocks
Wednesday 27 July 1988

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	230.27m	780	-10
Mitsubishi Heavy Ind	103.98m	960	-21
Mitsui Engineer	94.44m	708	-21
Toshiba	82.45m	1,180	+30
NKK	48.81m	673	-26
Hitachi	40.15m	1,920	+10
Kawasaki Steel Ind	37.63m	694	-27
Ishikawajima-Harima Heavy Ind	35.90m	1,020	-30
Kobe Steel	30.79m	570	-20
Kawasaki Heavy Ind	28.31m	700	-19

INDICES

NEW YORK — DOW JONES

STANDARD AND POOR'S

NYSE Composite

Amex Mkt. Value

NASDAQ OTC Comp.

Dow Industrial Div. Yield

S & P Industrial div. yield

S & P Ind. P/E ratio

TRADING ACTIVITY

CANADA — TORONTO

NEW YORK ACTIVE STOCKS

AUSTRALIA, AUSTRIA, BELGIUM, DENMARK, FINLAND, FRANCE, GERMANY, HONG KONG, ITALY, JAPAN, NETHERLANDS, NORWAY, SINGAPORE, SOUTH AFRICA, SPAIN, SWEDEN, SWITZERLAND, WORLD

** Saturday July 23: Japan Nikkei 27301.34 and TSE 2152.63

Base values of all indices are 100 except Brussels SE and DAX — 1,000 JSE Gold — 255.7 JSE Industrials — 264.3 and Australia, All Ordinary and Mining — 500; (c) Closed. (u) Unavailable.

3pm prices July 27

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A–A–A –								
27⅞	14	AAR n	.36	1.4	19	57	25⅝	25¼	25¼	−¼
12⅛	8¼	ACMIn n1.30e		11.		343	11⅝	11½	11½	
12¼	10¾	ACMSc n1.26		11.		235	11⅛	11	11⅛	
10¼	9	ACMSp n				222	9⅜	9¼	9¼	−⅛
27¾	10½	AGS			21	456	27	26⅞	27	+¼
7⅞	2⅝	AMCA				20	4	4	4	
8⅝	3¼	AM Intl				4490	5⅞	5⅝	5⅞	+⅛
28⅜	17	AM Int pf	2	9.0		260	22¼	21¾	22¼	+¼
65½	26¾	AMR			9	4161	45⅛	43¾	43¾	−1⅛
11⅛	5¾	ARX			11	19	8⅜	8¼	8¼	−⅛
72⅞	40⅛	ASA	3	7.5		485	40⅝	40⅛	40⅛	−¼
22⅝	9½	AVX	.06e	.3	12	77	19¼	18⅞	19⅛	+⅛
66⅝	40	AbtLab	1.20	2.8	14	2638	44⅛	43½	43½	−⅝
26	15¾	Abitibi g	1			14	17⅞	17⅝	17⅞	
16¼	8½	AcmeC	.40	3.9		102	10⅝	10⅛	10⅛	−⅛
10½	6⅝	AcmeE	.32b	4.5	22	3	7⅛	7⅛	7⅛	+⅛
20	14⅛	AdaEx	3.05e	19.		42	16	15⅞	16	+¼
19¼	6⅞	AdamMl	.24	1.5	15	9	16¼	16⅛	16¼	
24⅞	7½	AMD				3843	13⅝	13	13	−⅜
56⅞	29¾	AMD pl	3	7.7		161	39	38¾	38¾	−¼
11⅞	4⅝	Adobe			12	33	7½	7⅜	7⅜	−⅛
20¼	16¼	Adob pf	1.84	10.		3	17¾	17¾	17¾	−¼
21¼	17½	Adob pf	2.40	11.		4	21⅛	21⅛	21⅛	
13	5¾	Advest	.12	1.4	16	460	8½	8⅜	8⅜	
64¼	39½	AetnLf	2.76	6.2	8	1432	44½	44⅛	44⅝	+¼
41¾	20½	AflPb s	.20	.7	48	156	27⅛	27	27	−⅛
23¾	13	Ahmans	.88	5.7	10	3817	15⅝	15⅛	15½	+⅜
4	1¾	Aileen				30	3⅜	3⅜	3⅜	−⅛
53⅞	29	AirPrd	1.20	2.7	12	1978	45⅝	44⅞	45¼	−1¼
29¼	11⅛	AirbFrt	.60	3.6	23	279	16⅞	16½	16⅞	+⅜
16½	6¾	Airgas			20	296	15¾	15½	15⅝	+⅛
20	13½	Airlease	2.30	12.	10	12	19⅛	19⅛	19⅛	
27¾	24½	AlaP pf	2.09e	8.1		74	25¾	25½	25¾	+⅜
9¾	7⅝	AlaP dpf	.87	9.4		4	9¼	9¼	9¼	
98	81½	AlaP pf	9	10.		z20	89½	89½	89½	−⅝
101	88½	AlaP pf	9.44	10.		z30	94	94	94	
23⅞	12¾	AlskAir	.16	.9	14	335	18⅛	17⅞	17⅞	−⅜
38	14¾	Alberto	.30	.9	20	34	35¼	35¼	35¼	−¼
[illegible]										

Continued on Page 35

هكذا من الأصل

NYSE COMPOSITE PRICES

Continued from previous Page

– X–Y–Z –

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
55	50	Xerox	3	5.7	10	2973	53¼	52⅝	52¾	– ⅛
50⅛	47½	Xerox pf4.13		8.6		1	48	48	48	+ ½
35¼	19½	XTRA	.64	2.0	17	180	32⅞	32⅛	32¼	– ⅛
60⅛	17½	Yorkin			16	4782	58½	58⅛	58½	+1¼
6⅛	2⅛	Zapata				29	2⅞	2⅛	2⅛	– ⅛
37	19½	Zayre	.40	1.9	12	11777	21⅛	20	21	+1
25⅝	10	ZenithE				494	23½	23¼	23⅜	– ⅛
10⅞	9½	Zenin n .15e		1.5		190	9⅞	9⅝	9⅞	+ ⅛
10⅛	1	vjZenLb				53	1⅜	1¼	1¼	
24	13½	ZenNtl	.80b	4.0	10	28	20⅛	20	20⅛	
20⅞	11⅞	Zero	.40	2.5	14	36	16	15⅞	15⅞	– ⅛
30⅛	15	Zurn	.88	3.0	14	257	23⅛	22⅞	22⅞	– ⅝
11¼	7⅝	Zweig	1.05e	10.		343	10⅝	10½	10½	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices July 27

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OVER-THE-COUNTER

Nasdaq national market, 3pm prices July 27

Continued on Page 33

WORLD STOCK MARKETS

AMERICA

GNP figures draw little response from equities

Wall Street

PUBLICATION of second quarter US gross national product figures yesterday elicited hardly any response from either the equity or the bond market, despite a sharp drop in the dollar, *writes Janet Bush in New York.*

At 2 pm, the Dow Jones Industrial Average stood 3.38 points lower at 2,070.59 in another session of desultory volume. By midsession, only about 66m shares had traded.

The modest rise in stocks in the morning followed two days of small gains in the Dow, which seemed to be a natural reaction to Thursday and Friday last week when the index plunged by around 25 points each day.

The recovery since then has been unspectacular. The market had been looking at this week's economic indicators for direction, but has made very little response to any news this week. This is partly because economic releases have offered ambiguous signals on the economy and partly because the market seems to have sunk into a period of extreme inactivity.

Tuesday's durable goods orders gave few pointers as the 8.8 per cent rise in June was almost entirely due to defence and transportation orders.

The message emerging from yesterday's GNP figures was similarly mixed. While growth in the first and second quarters came out slightly lower than most forecasts had expected, the GNP deflator appeared to indicate considerable inflation in the economy. The combination left markets with little to go on.

The US Treasury bond market reacted only modestly to a plunge in the dollar on foreign exchanges and the deflator numbers and prices were quoted only around ⅝ point lower at midsession. The Treasury's benchmark 30-year issue was quoted ⅛ point lower for a yield of 9.20 per cent.

As far as interest rate policy is concerned, a subject that is of major importance to both markets, the outlook is clouded. The US Federal Reserve's operations in the money market tend to suggest that policy is being held fairly tight, but any further snugging of policy is very gradual.

Both markets will look with interest at today's testimony before Congress by Mr Alan Greenspan, Fed chairman, on domestic monetary policy for any comment on yesterday's GNP figures and thinking on interest rates.

Another batch of corporate earnings announcements yesterday left the market unmoved. Among them were reports from Du Pont, Bethlehem Steel, Ford Motor and Xerox.

Du Pont, the leading chemical company with oil and gas interests, reported net earnings in the second quarter of $2.67 a share compared with $2.08 a share a year earlier. The latest quarter's results include a gain of 18 cents a share from the sale of an interest in North Sea Oil Properties. Du Pont shares dropped $⅝ to $85½ on the news.

Bethlehem Steel shares rose $½ to $24¾ after it announced second quarter net earnings of $1.94 a share compared with 79 cents a year earlier.

Ford Motor earned $3.43 a share in the second quarter compared with $2.90 a year earlier. Its shares added $⅜ to $51¼.

Xerox announced second quarter net earnings of $1.59 a share compared with $1.44 a year earlier, news which left its stock price unchanged at $53¼ at midsession.

Among other featured stocks was York International, the air conditioning and heating equipment company, which put on $1 to $58¼ by midsession after the company said that Snydergeneral had asked for permission to sweeten its $61 a share tender offer for the company.

Florida Steel jumped $1⅜ to $48⅞. The company said it had agreed to a takeover offer from a group led by its management. The group will pay $50 in cash for about 85 per cent of its common shares and exchange preferred stock for the rest.

Home Savings Bank, traded on the over-the-counter market, jumped $2½ to $18¼ after news of an unsolicited takeover offer worth $20 a share from the Emigrant Savings Bank.

Clark Equipment rose $1⅛ to $33¼ after its news of net income of $13.1m in the second quarter compared with a loss of $3.7m a year ago.

Canada

GOLD, energy and industrial issues led Toronto stocks lower at midsession yesterday after a mixed opening.

The composite index dropped 8.3 to 3,349.1 on quiet volume of 9.1m shares.

Nova topped the active list, falling C$¼ to C$12⅞.

ASIA PACIFIC

Nikkei scores second best rise of year as Sony leaps

Tokyo

HIGH-PRICED high-technology stocks jumped unexpectedly in Tokyo yesterday, helping to send the Nikkei average soaring by its second largest increase this year, *writes Shigeo Nishiwaki of Jiji Press.*

Demand for high-tech issues was triggered by another all-time record by Sony.

Carmakers and issues related to domestic demand also firmed, but big-capitalisation stocks lost ground on profit-taking.

The Nikkei average jumped 434.81 to 27,738.57, while volume climbed from Tuesday's 905m shares to 1.29bn – still low for the first trading day of the new monthly account. The Nikkei's low for the day was 27,322.34, registered at the start of trading, and the high was 27,750.56, reached in the afternoon. Advances outpaced declines by 556 to 310, with 167 issues unchanged.

Later in London, Japanese shares fell back, with the ISE/Nikkei 50 index down 4.84 on the Tokyo close at 1,841.30.

In Tokyo, many analysts had expected large-capital steels and shipbuildings to rise after appearing the previous day on a leading brokerage house buy list. But investors, already cautious about the high price levels of such stocks, decided to wait for the release later in New York of preliminary figures for second quarter US gross national product.

Demand for Sony followed a newspaper report, which said the group could win the contract for supply display monitors for a $3.55bn automatic air traffic control system that IBM is supplying to the US Federal Aviation Administration. This sparked heavy buying of other high-tech stocks, including Matsushita Electric Industrial and Fanuc, cutting into purchases of large-capital stocks.

Volume of Sony shares soared from Tuesday's 6.88m to 18.07m, worth Y123.1bn, second only to Nippon Steel's Y177.4bn. Sony shot up Y340 to Y6,870, hitting a record high at the close for the second consecutive day. It had reached Y6,950 at one stage.

Spurred by Sony's advance, Fanuc jumped Y330 to Y6,680 and Kyocera Y160 to Y5,970. Matsushita Electric Industrial climbed Y20 to Y2,870.

Nippon Steel was the most active stock for the day with 230.27m shares traded, falling Y10 to Y760.

Among carmakers, Honda Motor and Toyota Motor advanced Y50 to Y2,400 and Y100 to Y2,950 respectively, helped by rising demand for passenger cars.

Bond prices firmed in thin trading. Selling did not increase much, contrary to fears of some participants predicting a sharp improvement in the US GNP, and some dealers purchased to build up inventories, pushing down yields slightly.

The yield on the benchmark 5.0 per cent government bond due in December 1997 was locked in a narrow range of 4.955-4.980 per cent, finishing at 4.960 per cent against Tuesday's 4.985 per cent.

The Osaka Securities Exchange was also lively, with the OSE stock average rallying 251.97 to 27,162.07. Turnover rose by 28.1m shares to 106.8m.

Speculative demand sent Araya Industrial up Y140 to Y1,510.

Roundup

THE WAIT for US GNP data, due after the close in Asia Pacific markets, kept many investors on the sidelines and volumes were low again.

SINGAPORE gained ground after two days of declines as speculators and bargain hunters sought Malaysian issues and low-priced shares.

The Straits Times industrial index rose 3.83 to 1,136.31, but trading was quiet pending the release of the US figures.

Sembawang Shipyard put on 17 cents to S$2.95 on news of its 45.4 per cent increase in interim group profits and its subsidiary, Sembawang Maritime, gained 10 cents to S$2.25.

HONG KONG followed Tokyo higher in afternoon trading but volumes remained thin, again because of the wait for data from New York.

The Hang Seng index rose 9.61 to 2,665.23 and turnover reached HK$568m worth of shares, against HK$599m.

AUSTRALIA was again pulled lower by weak precious metals prices, with the All Ordinaries index off 6.9 at 1,612.7.

Volatile Mexico tops world league again

The Mexican stock exchange has followed last year's whirlwind performance by soaring 62 per cent in the first half of this year – more than any other stock market.

The notoriously volatile Bolsa Mexicana de Valores can boast other newsworthy facts. It plummeted by 74 per cent around last October's crash – from a record high in the bolsa index of 373,000 on October 6 to a low of 95,000 on November 17. Its recovery, however, has enabled Mexico to keep its place as top performer in dollar terms since January 1987, followed by Tokyo, according to the FT-Actuaries World Indices.

On July 1 this year, the market was capitalised at about Mexican pesos 28 trillion (US$12bn), one third of its value of US$35bn at its peak in October 1987. The bolsa index, which is altered every two months according to stocks' trading volumes, covers the 50 most marketable shares, while the whole market comprises 260 listed issues. The top 10 stocks account for 52 per cent of total market capitalisation.

Like many other stock markets, average daily volume has fallen dramatically this year, standing at US$24m compared with the record average last year of US$56m.

In 1987, a boom year for equities, stock market trading accounted for just 7 per cent of total trading on the Mexican exchange. Other capital market instruments accounted for 2 per cent, with the money market – treasury bills, bank acceptances and commercial paper – accounting for 91 per cent.

Only 10 per cent to 20 per cent of the equity market is freely tradeable, and foreign investors do not have easy access to shares. First, foreign ownership of stocks is limited to 49 per cent under Mexico's Foreign Investment Law and many listed companies are already at this percentage, with the 49 per cent stake held by a foreign joint venture partner, as in the case of Kimberly Clark de Mexico.

Second, other companies such as banks and most mining companies specifically exclude overseas buyers from owning stock in their articles of association. As a result, no more than 10 marketable stocks are effectively open to purchase by foreigners.

Mexican-based unit trusts offer the most effective way for the foreign investor to participate in the market, as the trusts have unrestricted access to all listed stocks. Foreigners may buy up to 49 per cent of the funds, which are priced daily in pesos at net asset value.

All investors face a steep withholding tax of 55 per cent on dividends.

The bolsa's trading day begins at 10.30 am and runs to 1.30 pm. There is no after-hours trading in equities. The trading system is still paper-based, although stock storage and delivery are made through a computerised depository system.

There is an efficient computerised system providing online information on stock prices, trading volumes and the identity of brokerage buyers and sellers, but there are no immediate plans to upgrade this to a screen-based trading system.

All stock trades made on the bolsa must be routed through one of the 25 brokerage houses – *casas de bolsa* – which are shareholders of the exchange. Settlement takes 48 hours.

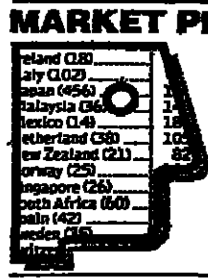
On July 1, the average historic price/earnings multiple of the Mexican market stood at 3 in dollar terms, and the ratio of price to book value at 66 per cent – equivalent to its level at the beginning of 1987. The market has been affected both by post-crash uncertainty and by the Government's anti-inflationary austerity programme.

Tomorrow: Brazil profile.

Timothy Heyman

Timothy Heyman is senior vice president for investment strategy at Mexican brokerage house Estrategia Bursatil.

MARKET PROFILE



Mexico

The profiles series began on June 28 and has covered the following markets, in this order: Switzerland, Amsterdam, Paris, Madrid, Helsinki, Frankfurt, Milan, Australia, New Zealand, Hong Kong, Singapore, Brussels, Stockholm, Oslo, Copenhagen and Johannesburg. Further articles are due to appear in the next couple of weeks on Dublin, Vienna, Lisbon, Athens, Istanbul, Malaysia, Taiwan, Seoul, Thailand and the Philippines.

STOCK MARKET FACT CHART MEXICO

Market capitalisation: 28 trillion pesos ($1=pesos 2,290), (£1=pesos 3,920)
Number of shares listed: 260
Top 10 stocks, percentage of market: 52%
Trading hours: 10.30 am-1.30 pm; no after hours trading
Average daily turnover on bourse, 1988: pesos 55bn ($24m)
Main indices: bolsa index (50 stocks); FT-Actuaries World Indices
Current level of index (FT-Actuaries, Mexico): 400.84 (26/7);
1988 high: 450.65 (21/6); 1988 low: 218.13 (18/1)
Settlement: 48 hours

Address: Bolsa Mexicana de Valores, Uruguay 68, Colonia Centro, Mexico D. F. CP [illegible]. Tel: [illegible]

EUROPE

Amsterdam stays buoyant against the tide

"BORING" and "very quiet" were the most common descriptions of trading in the leading European markets yesterday as volumes shrank further. But corporate news and speculation underpinned Amsterdam and Zurich and the rally continued in Milan, *writes Our Markets Staff.*

AMSTERDAM was buoyed by the early strength of the dollar and bullishness about imminent corporate results. But the setback for the dollar once the US GNP figures were published lifted prices off their highs and the CBS all-share index ended up 0.6 at 97.6 in slightly better volume.

One feature was bio-technology company Gist-Brocades, which jumped Fl 2.30, or more than 6 per cent, to Fl 39.20 on renewed takeover speculation, with Shell or Unilever rumoured to be interested.

Brewer Heineken gained Fl 1.20 to Fl 147.20 following rumours it was interested in Whitbread of the UK – a suggestion dismissed by the Whitbread chairman on Tuesday as total speculation.

In the internationals, Akzo was up 90 cents at Fl 143.50 on expectations of good first half news next week. Philips, with second quarter results today expected to show lower earnings, was steady at Fl 33.70.

ZURICH saw speculative activity in the insurance sector and closed marginally higher, helped by the steady dollar. The Crédit Suisse index added 0.2 at 465.7 in a thin market.

Small- and medium-sized insurers benefited from Tuesday's news of the takeover offer for insurance company La Suisse from Saurer Holding. The bid put the spotlight on other potential targets, with Allianz of West Germany rumoured to be a possible buyer, one analyst said.

La Suisse bearers rose SFr725, or 8 per cent, to SFr9,650, against an offer price of SFr10,000 a share. Winterthur found SFr25 to SFr5,400.

Confectioner Jacobs Suchard climbed SFr55 to SFr7,705 as investors continued to speculate on a possible bid for Cadburys of the UK.

MILAN found interest switching to banks, which have lagged the market recently. The Comit index was up 4.18 at 528.15 but volume remained fairly thin after L103bn on Tuesday and L95bn on Monday.

Banca Commerciale rose L90 to L2,470 and Credito Italiano L76 to L1,256. Insurer Generali gained L710 to L87,960 and reached L88,200 after hours.

Telecommunications stock Stet fell back L60 to L3,675 after its recent surge.

FRANKFURT had another volatile day in very thin trading, starting firmer on overnight gains in New York and, more significantly, Tokyo, but then easing back on a lack of follow-through buying.

The speculative rise in the dollar before the release of the US GNP figures, and its subsequent drop, appeared to have little impact on a market dominated by professionals, with genuine buying in very short supply, one trader said. He added that a possible further rise in interest rates today had already been discounted.

Volume fell to a thin DM2.1bn from Tuesday's DM2.4bn. The FAZ index reflected early gains with a 3.15 rise to 485.09, but the DAX closed off 5.16 at 1,171.28.

Typical of the day's movements was steel stock Mannesmann, which rose to DM166.50 amid rumours brokers were upgrading their earnings forecasts, only to close off DM1 at DM163 as interest dried up.

Bonds showed little movement in thin trading.

PARIS also had a very quiet day, with turnover estimated to be below FFr1bn, and share prices closed only slightly higher. The small number of investors in the market were left scraping around for stories, said analysts.

LVMH, which launched two Eurobonds worth a total of about FFr1.7bn to fund its purchase of a stake in Guinness of the UK, lost FFr8 to FFr2,790.

Computer company Bull, reporting interim profits more than doubled, added FFr3.50 to FFr113.50 and drinks group Pernod, which called for talks with Coca-Cola of the US to settle their distribution rights disagreement, fell FFr7 to FFr1,042.

News that the country's trade deficit narrowed last month had little effect – only bad news would have moved prices, said one analyst – and the OMF 50 index, formerly the EFX 50 index, closed 0.25 higher at 352.15.

BRUSSELS suffered another thin and mixed day, with steelmakers providing one of the few sparks of interest.

Investor confidence about the European steel industry pushed Cockerill up BFr9 to BFr256 on heavy volume of 97,000 shares, while Luxembourg-based Arbed gained BFr100 to BFr2,500 as over 36,000 shares changed hands after 32,000 on Tuesday.

Chemical concern UCB gained BFr40 to BFr9,190 in spite of action by the EC Commission against its alleged dumping in Spain of an animal feeds additive.

STOCKHOLM gained ground. Electrolux saw strong turnover, with 105,500 shares dealt, and its free B shares ended unchanged at SKr241.

London

NEWS of a June current account deficit at the higher end of City forecasts fuelled interest rate fears again, leading to early drops for share prices. However, a firm pound proved a welcome diversion in late trading and the FT-SE 100 index closed up 3.1 at 1,840.8, having earlier fallen 9.2. ICI saw US support again pending today's trading results.

SOUTH AFRICA

THE absence of fresh factors left Johannesburg stocks narrowly mixed yesterday after a directionless session.

Gold stocks were mostly unaffected by a moderate improvement in the bullion price, closing mainly unchanged. Among issues that saw movement, Beatrix rose 25 cents to R12.25.

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JULY 26 1988					MONDAY JULY 25 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (89)	147.77	–1.5	127.85	122.12	3.65	150.02	128.83	122.88	150.71	91.16	146.24
Austria (16)	85.10	–1.3	73.64	82.10	2.53	86.25	74.06	82.39	98.18	83.72	100.39
Belgium (63)	113.70	–0.5	98.38	110.33	4.57	114.26	98.12	109.75	139.89	99.14	132.41
Canada (129)	124.09	–0.3	107.36	108.59	3.09	124.51	106.92	108.78	128.91	107.06	136.07
Denmark (39)	127.11	–1.0	109.98	122.19	2.38	128.44	110.29	122.33	132.72	111.42	114.11
Finland (26)	130.65	–1.1	113.04	120.56	1.43	132.04	113.38	120.75	139.53	106.78	–
France (129)	92.19	–0.1	79.76	90.71	3.61	92.29	79.25	90.12	99.62	72.77	108.13
West Germany (100)	74.60	+0.3	64.55	72.16	2.56	74.40	63.89	71.38	80.79	67.78	98.42
Hong Kong (46)	107.64	–0.1	93.13	107.84	4.24	107.74	92.52	107.95	111.86	84.90	133.93
Ireland (18)	139.56	–1.0	120.75	136.32	3.48	140.95	121.04	136.36	144.25	104.60	138.82
Italy (102)	71.73	+0.3	62.06	73.66	2.73	71.51	61.41	72.79	81.74	62.99	95.60
Japan (456)	162.32	+0.2	140.45	135.95	0.52	162.04	139.15	135.31	177.27	133.61	135.46
Malaysia (36)	152.43	–0.9	131.89	154.28	2.38	153.79	132.06	155.18	154.42	107.83	184.20
Mexico (13)	160.23	+0.1	138.64	400.84	1.36	160.05	137.44	400.38	180.07	90.07	292.69
Netherland (38)	105.51	+0.3	91.29	101.10	4.57	105.16	90.30	99.93	110.66	95.23	125.80
New Zealand (21)	79.43	+0.1	68.73	63.17	6.00	79.39	68.17	62.74	84.05	64.42	106.88
Norway (25)	123.49	–0.6	106.85	113.02	2.67	124.19	106.65	112.69	132.23	98.55	150.19
Singapore (26)	130.15	–1.3	112.61	122.26	2.13	131.86	113.23	123.57	132.44	97.99	161.78
South Africa (60)	*121.52*	*–2.0*	*105.14*	*92.40*	*4.65*	*124.03*	*106.51*	*93.97*	*139.07*	*118.10*	*182.50*
Spain (43)	146.36	–1.0	126.64	136.33	3.02	147.91	127.01	136.65	164.47	130.73	135.71
Sweden (35)	117.72	–0.4	101.85	111.22	2.57	118.13	101.45	110.88	125.50	96.92	119.60
Switzerland (55)	77.89	–1.1	67.39	74.63	2.29	78.72	67.60	74.89	86.75	75.60	103.58
United Kingdom (325)	131.55	–0.7	113.82	113.82	4.40	132.53	113.80	113.80	141.18	123.09	154.26
USA (582)	108.19	+0.2	93.61	108.19	3.63	108.00	92.74	108.00	112.47	99.19	127.35
Europe (1014)	104.90	–0.4	90.77	96.66	3.73	105.35	90.47	96.31	110.82	97.01	125.29
Pacific Basin (674)	159.57	+0.1	138.07	134.17	0.73	159.41	136.89	133.60	172.26	130.81	135.77
Euro–Pacific (1688)	137.72	–0.1	119.16	119.20	1.65	137.80	118.34	118.72	147.53	120.36	131.63
North America (711)	109.04	+0.1	94.34	108.23	3.60	108.88	93.50	108.07	113.29	99.78	127.82
Europe Ex. UK (689)	88.36	–0.1	76.45	86.00	3.14	88.49	75.99	85.42	92.99	80.27	107.31
Pacific Ex. Japan (218)	*126.49*	*–1.0*	*109.45*	*111.89*	*3.84*	*127.75*	*109.70*	*112.36*	*128.28*	*87.51*	*139.67*
World Ex. US (1890)	137.11	–0.1	118.63	118.70	1.72	137.23	117.84	118.27	146.49	120.26	132.44
World Ex. UK (2147)	125.36	+0.1	108.47	115.16	2.13	125.27	107.57	114.77	131.77	111.77	128.09
World Ex. So. Af. (2412)	125.92	+0.0	108.95	115.18	2.33	125.91	108.12	114.81	132.39	113.26	130.08
World Ex. Japan (2016)	108.45	–0.1	93.83	104.42	3.66	108.58	93.24	104.23	112.43	100.00	128.04
The World Index (2472)	125.90	+0.0	108.93	115.03	2.34	125.90	108.11	114.67	132.38	113.37	130.42

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Latest prices were unavailable for this edition.